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ABSTRACT

One of a series of booklets on world issues, this five-part document presents information about Mexico. Part one examines Mexican history from Cortez to Madero. Emphasis is placed on the revolution era (1910-1920) and the creation of two political parties: the Partido de la Revolucion Mexicana (Mexican Revolutionary Party or PRM) and the Partido Revolucionario Institucional (Institutional Revolutionary Party or PRI). Part two examines the Mexican economy over the last 100 years which has been characterized by two fundamental transitions: export-expansion and industrialization. How social structure and social class has been effected by economic development is explored, too. Part three examines the Mexican political system created by the revolution (1910) and the PRI and the development of opposition parties. Part four discusses how petroleum has helped and hindered Mexican development during the early 1980s. Part five examines United States and Mexican relations through two sets of issues: regional and bilateral agenda. An alternative approach is also explored. "Talking It Over" offers questions for students and discussion groups. An annotated reading list concludes the document. (RSL)

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Headline Series

MEXICO

NEIGHBOR IN TRANSITION

by Peter H. Smith

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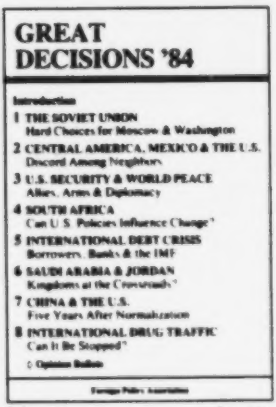
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January/February 1984

The Author

PETER H. SMITH is professor of history and political science at the Massachusetts Institute of Technology. He is the author of *Labyrinths of Power: Political Recruitment in Twentieth-Century Mexico* (Princeton University Press, 1979) and coauthor of *Modern Latin America* (Oxford University Press, 1984). In addition to writing other works on Argentina, he has pioneered the application of social-science models and statistical methods to the study of Latin American politics. In 1981 Mr. Smith served as president of the Latin American Studies Association.

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Introduction

A little bit of knowledge can create misunderstanding. Late in 1982 the U.S. media suddenly discovered "the Mexican crisis." News reports and editorial columns expressed dismay over Mexico's $80 billion to $85 billion foreign debt, usually hinting that it resulted from inefficiency, irresponsibility, and corruption (or some combination thereof). An hour-long television documentary intimated that the country's socioeconomic inequities might lead to political breakdown. In December 1982 *Time* magazine devoted a full-length cover story to Mexico's presidential inauguration: the reportage itself was thorough and responsible, while the lead quotation next to the picture of the new chief executive was meant to catch the eye—"We are in an emergency."

And then, just as quickly as our southern neighbor had come into public view, it vanished from the media. By mid-1983 Mexico had all but disappeared from U.S. headlines. What can account for this? Had the "emergency" gone away? Or, as is so often the case, had the United States simply turned its attention to other hot spots around the globe?

Such sporadic regard is myopic and counterproductive, for Mexico is crucial to the United States. With Mexico we share a

2,000-mile border. From Mexico we receive a strong and steady stream of migrants. To Mexico we ship a lot of goods—the country is, indeed, our third-largest trading partner. On Mexico we count for leadership throughout the hemisphere, particularly in the troubled region of Central America. And in the course of the 1980s Mexico faces not only a short-run financial crisis, but a long-run process of social and political transformation that could have enormous consequences for the United States. In the words of one U.S. policymaker: "By the end of the decade Mexico could become our most important foreign-policy problem, bar none."

To know how to pursue U.S. interests, Americans need to gain an understanding of Mexico itself—its society, its political system, its economy, how the nation has evolved and where it appears to be heading. To begin this task, we must focus on Mexico's long and complex history.

1

From Colony to Revolution

Mexico was for centuries the seat of empire. Temples and artifacts from the pre-Columbian era offer compelling testimony to the cultural and political achievements of native Indian societies. In the south, especially Chiapas and Yucatán, the Mayan civilization reached its zenith from the fourth to the tenth centuries A.D. with dazzling accomplishments in mathematics, astronomy, and architecture. Some time later, in the central valley, the Aztecs established the headquarters of a far-flung military empire. Tenochtitlán, the site of present-day Mexico City, became an impressive urban settlement with perhaps as many as a half million inhabitants. An intricate social organization, led by a single ruler at the top, included warriors and priests and artisans. Military domination kept other Indian tribes, in Tlaxcala and other areas, under the control of Aztec leaders (and also furnished victims for religious rituals of human sacrifice). It was a great, if fearsome, empire.

Then the Spaniards arrived. In 1519 Hernán Cortés landed near Veracruz and started his march toward Tenochtitlán. A bold

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fighter and a clever politician, he enlisted the support of Tlaxcala and other communities that chafed under Aztec control. He used his Indian mistress, Doña Malinche, to portray himself as saviour and protector (thus giving rise to one of modern Mexico's most pejorative terms, *malinchista*, for a person who collaborates with the country's enemies). He played upon Indian fears that he was exacting revenge on behalf of an angry god, Quetzalcoatl. And he capitalized on the ravages of smallpox, an epidemic that decimated the ranks of Aztec warriors and sapped the population of its will to resist. Spaniards took the capital city in 1521.

Under the name of New Spain, Mexico became the center of a viceroyalty that stretched from what is now Panama to the American Northwest. (Spain's other New World viceroyalty was based in Peru and covered all of South America except Brazil, which by papal fiat belonged to Portugal.) Mexico's mineral wealth, first in gold and then in silver, made it an object of pride and protection. Veracruz grew to be a major colonial port. Agriculture flourished, at least enough to feed the urban population, and Mexico City continued its development. A university was founded in 1551, more than a half century before the English set foot in Jamestown, Virginia, and intellectual activity assumed a significant role in colonial society. From the 16th century onward, Mexico was a lively, bustling, powerful community.

The viceregal economy was supported, at bottom, by the labor of the Indians. Under Spanish rule the natives worked almost incessantly—in mines, in fields, in factories and sweatshops. The conquest and subsequent diseases led to a precipitous reduction in the size of the Indian population—according to one estimate, from over 20 million in 1519 to 2 million around 1580 to just 1 million after 1600. Social status came to follow racial designation: whites were at the top, Indians and blacks were at the bottom, mixed-bloods or *mestizos* were in between. During the 18th century the Indian population would surge back a bit, but the colonial regime left Mexico with one of its most intractable issues: whether and how to integrate the Indian masses into the mainstream of national life.

Independence and its Aftermath

After centuries of Spanish rule there emerged a local "creole" elite, consisting of whites born in the New World, who rose up to challenge the supremacy of Spanish-born *peninsulares*. Inspired more by the French Revolution than by the American example, creoles sought to assert their own equality as citizens (without, of course, extending the concept to include Indians or mestizos). When in 1808 Napoleon forced King Ferdinand VII of Spain to abdicate, the creoles banded together in defense of Spanish sovereignty, and it was only a matter of time before they would claim it for themselves. After a decade of bloody and often brutal war in which mestizos came to play a crucial part, Mexico achieved its independence in 1821.

The fighting left the country in disorder and decay. The economy was in a shambles. Spaniards had taken their capital abroad. The gold and silver mines, once the pride of Spain's overseas empire, had fallen into disrepair, and the textile industry had hit hard times. The scars of battle were visible throughout the country. There were very few jobs—and a great deal of unemployment. According to one estimate about 300,000 men, most of whom had fought in the wars, had no jobs or income when the battles came to an end. This represented 15 to 30 percent of the entire adult male population! Some of the veterans found work, of course, while others stayed in the army. A sizable number turned to crime (highway robbery being a particular favorite). One group drifted into unofficial, quasi-military units that provided support for local bosses, generally known as *caudillos,* who were soon to play a dominant role on the Mexican political scene.

Poverty persisted among the vast majority of the population. Especially in the center and the south, Mexico had a classic peasantry—large masses of *campesinos,* or country people, who scratched out meager livings from the land. Mostly of Indian origin, sometimes mestizo, Mexico's peasants furnished labor for the agricultural sector. Many worked on haciendas, where they lived in virtual serfdom, and some went begging in the cities. As the English-speaking wife of a Spanish diplomat remembered it, the distance between rich and poor was immense: while riding

through the parks of Mexico City, imagined Fanny Calderón de la Barca, "could you only shut your eyes to the one disagreeable feature of the picture, the number of *léperos* [beggars] busy in the exercise of their vocation, you would believe that Mexico must be the most flourishing, most enjoyable, and peaceful place in the world, and moreover the wealthiest; not a republic certainly, for there are no well-dressed people; hardly a connecting link between the blankets and the satins, the poppies and the diamonds."

The existence of this underemployed peasantry guaranteed Mexico a large surplus labor force. Partly for this reason, and partly because of antiforeign sentiment, Mexican authorities did not encourage immigration from abroad. Unlike Argentina, Mexico never acquired a predominantly European-born working class. Nor did it undergo rapid population growth in the 19th century. Starting with 4.5 million to 6 million residents in 1800, the country had about 7.6 million in 1850; by 1900 the figure had climbed to 13.6 million, but even this represented a modest annual average growth of less than 1.2 percent over the 50-year period. Mexico's population explosion would not come until the 20th century.

There were two institutional bases of power in Mexico after independence: the Roman Catholic Church and the military. The Church had come through the wars of independence with most of its immense wealth intact. According to at least one observer, the Church may have controlled nearly one half the nation's land, and it was by far the largest banking operation in all Mexico. Typically, the Church would offer generous loans (at 5 percent interest rates) to large landowners, a tactic that not only guaranteed a steady income—but also created a firm alliance with the upper echelons of Mexican society. Small wonder that the Church and its economic holdings would eventually become a target of opposition, particularly among those who failed to benefit from ecclesiastical largesse.

The second power base was the military, which dominated national politics. During the 40-year period from 1821 to 1860 Mexico had at least 50 separate presidencies, each lasting an average of less than one year; 35 of these hapless regimes were led

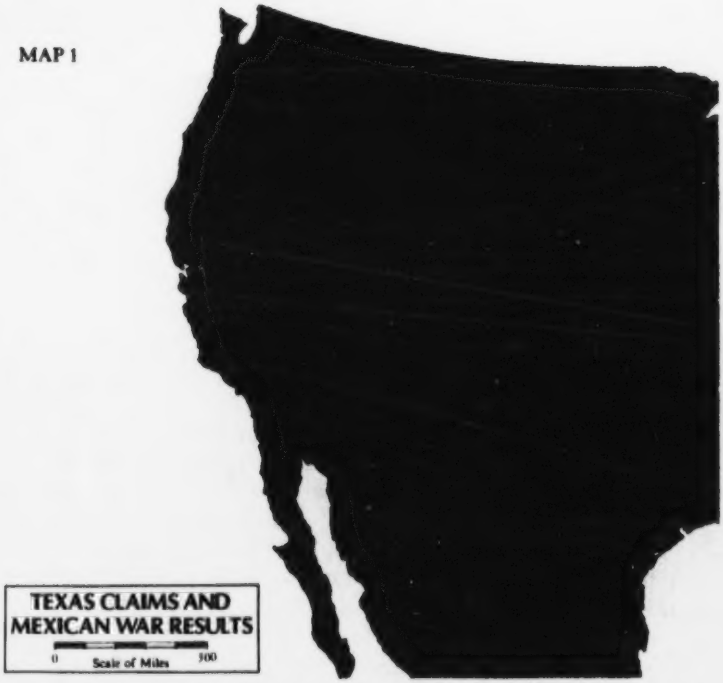
by army officers. The basic means of winning presidential office was through a military coup. And looming throughout this period was the tragicomic figure (as he appears to us now) of Antonio López de Santa Anna, who himself held the presidency on nine separate occasions and who installed figureheads at other times.

Santa Anna typified the political leaders known as caudillos, common in early 19th century Latin America, strongmen who assembled miniature armies primarily for the pursuit of wealth. The most available source of wealth was the national treasury. Without any widely accepted rules for succession to office, caudillos fought their way into national power. Once installed, however, they usually found that the treasury was running out of money (during this period, indeed, about 80 percent of the federal budget was spent on the military, and to maintain this pace the country went into considerable debt). Eventually the reigning caudillo band would seize the reins of power. The caudillos themselves did not bother with the arts of governance. That was left to a cadre of lawyers and professionals, many from Mexico City, who staffed the ministries, and in this period the same faces often reappeared: there were nearly 600 separate Cabinet appointments between 1820 and 1860, but they went to only 207 individuals.

'War of the North American Invasion'

Crippled by the wars of independence, Mexico was a weak and vulnerable new nation. To the north was the United States, newly embarked on its energetic, ebullient, and violent course of westward expansion. Sensing that the United States posed a threat, Mexican leaders attempted to strengthen their territorial hold in the 1820s by permitting colonists, most of them slaveholding planters from the United States, to settle in the northeastern province known as Texas, then a largely unpopulated wilderness. Despite their agreement to accept Mexican citizenship, the colonists soon began chafing under Mexican rule. In 1836 they declared their independence. In 1837 the United States recognized Texas as a sovereign polity and in 1845, after a series of complex diplomatic maneuvers, annexed the Republic of Texas.

MAP 1



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North Americans tend to view this episode as a courageous struggle for liberty by freedom-loving Texan pioneers led by Sam Houston. We recall the Battle of the Alamo (February–March 1836), for instance, as a valiant stand against overwhelming odds by patriotic martyrs. Mexicans see it otherwise. They look upon the colonists' revolt as betrayal of a generous agreement, they deride the motivational purity of men who brought slaves to Texan soil, and they interpret U.S. recognition and annexation of Texas as rapacious and illegal.

More was still to come. While North Americans claimed that the southern border of Texas extended to the Rio Grande, Mexicans insisted that it should end, as it always had, at the

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Nueces River (see Map 1). In 1846 U.S. President James K. Polk dispatched troops under General Zachary Taylor to the disputed area, in a deliberate move to provoke a fight. Polk then used Mexico's retaliation as an excuse to proclaim war. Despite the opposition of influential statesmen at home, including Illinois Congressman Abraham Lincoln and South Carolina's Senator John C. Calhoun, Polk had the war that he sought.

It was no contest at all. Taylor entered the city of Monterrey without much opposition, rebels in California took sides with the United States, and in 1847 American troops under General Winfield Scott advanced from Veracruz to Mexico City, seizing the capital after subduing the resistance of young Mexican cadets. The following year, in the Treaty of Guadalupe Hidalgo, Mexico was obliged to surrender a huge span of land from New Mexico and Colorado to California, more than a million square miles, in exchange for a modest $15 million. Several years later the United States extended its acquisition by obtaining an additional corner of New Mexico and Arizona through the Gadsden Purchase.

The consequence for Mexico was total humiliation. It had endured the defeat of its troops, the occupation of its cities, and, all told, the loss of more than half its land. The shock wrought political havoc within the country, eventually prompting conservatives to the ill-starred decision to accept a European prince, Archduke Maximilian of Austria, as emperor of Mexico (1864–67). And it led to agonized soul-searching for the nation as a whole.

Even today, Mexicans' recollection of these events is clear and intense. More fervently than Americans "remember the Alamo," Mexicans are taught to remember the cadets who struggled vainly against Scott's troops in Mexico City. The official name for the conflict of 1846–48 provides a glimpse of Mexican sensitivities: it is, quite simply, the war of the North American invasion.

The United States has not taken any territory from Mexico since 1853, but American influence has nonetheless been immense. In the 1870s a dictator named Porfirio Díaz brought stability to Mexico, and, after some initial tension, the United States threw its full support to the Díaz regime. Economic ties

between the countries flourished. By 1910, the centennial year of Mexico's declaration of independence, the United States was purchasing three quarters of Mexican exports. American businessmen found numerous opportunities for lucrative investments in Mexico, particularly in railroads and mines (copper, lead, and zinc). By then the United States had far surpassed Britain and France as the largest source of foreign investment in Mexico—a position it still holds—and it exercised a corresponding share of economic control.

Within Mexico the Díaz regime, or Porfiriato, centralized political power and strengthened the role of the national state. Key decisions came to be made in Mexico City, usually by Díaz himself rather than by local or regional caudillos. Political stability was seen as the necessary precondition for economic and material growth, a rationale that appeared to justify repression. As Díaz himself explained near the end of his regime: "We were harsh. Sometimes we were harsh to the point of cruelty. But it was all necessary then to the life and progress of the nation. If there was cruelty, results have justified it. . . . Education and industry have carried on the task begun by the army." But pressure was mounting as the centennial approached, and as Díaz and his coterie grew older, something was bound to give.

Years of Revolution (1910–20)

The Mexican Revolution of 1910 emerged not from the oppressed strata of society, but from its upper reaches. Francisco I. Madero, the so-called apostle of Mexican democracy, came from one of the country's wealthiest families, with extensive interests in cattle and mining—and with direct connections to the Díaz elite. Educated in Paris and at the University of California, Madero pioneered the application of modern agricultural techniques, especially in cotton cultivation. A bit of a mystic, he developed a strong belief in the virtues of political democracy and of the free-enterprise system as well. Dismayed by the excesses and rigidities of the Díaz regime (and stunned by the economic crisis of 1906–8), Madero began voicing opposition to the government. In anticipation of the 1910 elections, he wrote

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Francisco I. Madero, the 'apostle of Mexican democracy' (1873–1913)

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a book called *La sucesión presidencial en 1910* in 1908. Its message was plain (Mexico was ready for liberal democracy) and its formula was simple (Díaz could run again for president in 1910, but he should find a vice-presidential candidate from outside his immediate circle). Hardly a revolutionary document, Madero's book made barely a reference to the socioeconomic problems and inequalities that were simultaneously being documented by such outstanding intellectuals as Andrés Molina Enríquez.

When Díaz failed to heed the message, Madero entered the 1910 campaign. And when Díaz was declared the winner, Madero—with himself and 5,000 supporters in jail—refused to recognize the outcome and called for armed resistance. The movement rapidly swelled, his troops took Ciudad Juárez (across the border from El Paso), and, in a surprising show of weakness, Díaz capitulated and left the country in May 1911. Madero

triumphed in a new election, and in 1911, before delirious crowds in Mexico City, he became the nation's president. Democracy, it seemed, was on its way.

The bubble quickly burst. By November 1911, Emiliano Zapata and his followers in Morelos accused Madero of ignoring the need for land reform. "Having no intentions other than satisfying his personal ambitions, his boundless instincts as a tyrant, and his profound disrespect" for the Constitution of 1857, they said, Madero "did not carry to a happy end the revolution which gloriously he initiated with the help of God and the people." He had failed to dismantle the Porfirian political machine and revealed disinterest in the plight of the people. For the peasantry, the only alternative was seizing property by force. "We give notice [that] . . . the pueblos or citizens who have the titles corresponding to those properties will immediately enter into possession of that real estate of which they have been despoiled by the bad faith of their oppressors, maintaining at any cost with arms in hand the mentioned possession." These people wanted to reclaim their land, and when Madero failed to deliver, they promptly broke with him. Thus began a running conflict between the *zapatista* movement and a succession of governments, a conflict that lasted beyond Zapata's own assassination in 1919.

Just as the zapatistas claimed, Madero was too timid to eliminate the opposition, and this mistake cost him his life. Early in 1913 his military chief of staff—Victoriano Huerta, a high-ranking general under Díaz—betrayed him, killed him, and took over presidential power. Attempting to establish a neo-Porfirian regime, Huerta demanded recognition from political authorities throughout the country. Some refused to go along, and armed resistance to the "usurpation" spread. It was at this point, in 1913, that there began the genuinely "revolutionary" phase of the Mexican Revolution.

One of the most powerful centers of resistance to Huerta was the northern state of Chihuahua, where Pancho Villa gained control. Unlike the zapatista movement, this was not a peasant rebellion. At least initially, the *villista* forces consisted of small ranchers, unemployed workers, and cowboys: men who clamored

primarily for jobs, not small plots of land. So when Villa issued his pronouncement on agrarian reform, it called for confiscation of large haciendas, not for subdivision into plots. Profits from large-scale commercial agriculture allowed Villa to purchase arms and supplies (mainly from the United States), and his army—the División del Norte—took on the quality of a well-paid professional mercenary outfit.

Another major challenge to the Huerta usurpation emerged from Coahuila, Madero's own home state, where Governor Venustiano Carranza organized a powerful resistance movement. Like Madero, Carranza was a scion of the *porfirista* upper class. Himself a wealthy landowner, he had been an active politician under Díaz—and his movement, at least in its initial phases, lacked clear ideological commitment. The call to action in 1913 denied Huerta's claim to legitimacy and declared, instead, that Carranza should receive recognition as "First Chief of the Constitutionalist Army"; with this authority, Carranza would eventually call for new and fair elections. And that was all.

By mid-1914 the combined opposition of Zapata, Villa, and Carranza led to Huerta's downfall, and opened up a triangular struggle for supremacy. As the fighting continued, Carranza started to proclaim a social purpose. In December 1914 he promised, in the vaguest of terms, "legislation for the improvement of the condition of the rural peon, the worker, the miner, and in general the proletarian classes." Soon afterward he issued a pronouncement on agrarian reform, and a month later he reached a pact with leaders of the working class: in return for favorable labor legislation, the workers would join the Constitutionalist cause. Within a year the pact was showing signs of strain, as Carranza retaliated against a railroad strike by drafting all strikers into the army, and in 1916 it fell apart.

Notwithstanding its internal weakness, the *carrancista* movement emerged triumphant. The zapatistas, local in their character and outlook, withdrew from the national arena and set up a stronghold in Morelos. Villa continued the fight, but was unable to develop a popular base in central Mexico, where peasants wanted land instead of jobs, and in early 1915 he suffered defeat

at the hands of Carranza's brilliant military commander, Alvaro Obregón of Sonora. Thereafter Villa retreated to the hills of Chihuahua, waging guerrilla war, but he was no longer a national threat. With his principal enemies contained, if not crushed, Carranza confidently convoked a constitutional convention in late 1916. A few months later, in May of 1917, he became the full-fledged president of Mexico.

But cleavages persisted and intensified. To Carranza's evident surprise (and presumable dismay), delegates at the constitutional convention rejected his own draft proposal—a pale imitation of the 1857 document—and wrote one of the most progressive charters in the Western world. Under Article 27 the nation owned all lands and water, including all oil and minerals under the soil, and this established the basis for land distribution; Article 123 affirmed the rights of labor; and others, especially Article 3, put strict limits on the power of the Church. Institutionalizing the *maderista* cause, the charter forbade the reelection of the president (a provision that would later apply to national legislators, too). As the debates at the assembly showed, the mobilization of the masses had drastically altered the terms (though maybe not the practical result) of the political game. From then on, all serious contenders for power would have to adopt a rhetorical posture in favor of Mexico's masses, the workers and the peasants.

Creating an Official Party

For quite some time, in fact, Mexico's leaders were more concerned with power and stability than with structural transformation. The conclusion of the widespread fighting opened up a political struggle that became a war of political attrition. Zapata was murdered by carrancista troops in 1919; Villa was assassinated in 1923. In 1920, when Carranza tried to impose one of his own followers as president, Obregón launched an uprising that resulted in Carranza's death—and Obregón's accession to the presidency. In 1923 Obregón's close collaborator, Adolfo de la Huerta, mounted another revolt and ended up in exile. During his four-year regime (1924–28) Plutarco Elías Calles waged open

war upon the proclerical Cristero revolt and put down another coup attempt in 1927. Stretching the interpretation of a constitutional clause that prohibited reelection of government officials (the "no-reelection clause"), Obregón campaigned again for president in 1928, won the election handily, but was assassinated by a religious fanatic before taking the oath of office.

The Obregón murder plunged the country into a political and constitutional crisis, and Calles moved quickly to stabilize the situation. He convinced leaders of the nation's power groups to hold new elections the following year and, more important, to found an official party of unity, the Partido Nacional Revolucionario (National Revolutionary Party or PNR). For several years thereafter Calles wielded power from not-so-far behind the scenes as Jefe Máximo de la Revolución.

In 1934 the presidency passed to Lázaro Cárdenas, a provincial politican and ex-general who provided the country with remarkable leadership. He encouraged labor organization and, seeking to fulfill the Constitution of 1917, he oversaw an ambitious program of land reform: during his six-year term he distributed more than 49 million acres of land to approximately 800,000 families, mainly through collective farms known as *ejidos*—almost twice as much as all his predecessors combined. Moreover Cárdenas established his own authority by breaking decisively with Calles, and in 1938 he reorganized the ruling party, renaming it the Partido de la Revolución Mexicana (Mexican Revolutionary Party or PRM) and building it around four separate functional groupings: the agricultural (peasant) sector, the labor sector, the military sector, and, as a kind of residual category, the "popular" or middle-class sector.

One of the most striking concomitants of the party-building process has proven to be the alteration, and in general the diminution, of the political role of the Mexican military. In keeping with 19th-century tradition, triumphant generals of the revolution avidly sought political power. From Obregón through Cárdenas, presidents attempted to contain the army through a succession of tactics: putting potential rivals on the federal

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Lázaro Cárdenas, President of Mexico (1934–40)

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payroll, using political posts for patronage, promoting professional standards among junior officers, rotating commands with frequency. The military share of the national budget declined from 53 percent in 1921 to merely 5.5 percent in 1961. In recent years the army has continued to perform important functions, operating as a kind of parallel government, but it no longer dominates the political scene as it once did.

In the early 1940s the military lost its status as one of the formal sectors of the PRM. And when Miguel Alemán reorganized the party once again in 1946—this time as the Partido Revolucionario Institucional (Institutional Revolutionary Party or PRI)—it acquired the form it has had ever since: an utterly dominant official party, composed of three sectors (peasant, worker, popular masses) and partly responsible for the unity and stability that have come to be the hallmark of the Mexican political system.

The U.S. and the Mexican Revolution

The success of Madero's insurgency against Díaz took the United States by surprise, and Washington responded with a heavy-handed lack of sympathy. In 1912 the U.S. ambassador in Mexico City, Henry Lane Wilson, actively encouraged Victoriano Huerta's plot to overthrow Madero, and it appears that this American envoy may even have given tacit approval to Madero's assassination in 1913. The next year President Woodrow Wilson (no relation to the ambassador), having decided to withdraw support from the reactionary Huerta regime, seized on the arrest of some U.S. sailors as a pretext to send American troops to occupy the port city of Veracruz. Unquestionably, the high-minded Wilson intended to control the outcome of the revolution: it was his goal, he once proclaimed, to teach Latin Americans how to elect good men to public office. Wilson eventually managed to extricate himself from Veracruz, the occupation of which had served mainly to unite Mexico's competing factions against the Yankee invaders. But in 1916 he intervened again, this time responding to a border raid by Pancho Villa with a punitive expedition under General John J. Pershing—a mission that ended in total failure, as Pershing never managed to catch the wily Villa.

Ultimately, the United States gave its support to the faction that triumphed in the revolution, but not without seeking to nullify some radical provisions in the Mexican Constitution of 1917—especially the assertion of state authority over subsoil rights, a clause which meant that the government could nationalize foreign-controlled oil fields, many of which were held by U.S. companies. This issue remained a bone of contention between the two countries for decades—and it would recur, time and again, in U.S. relations with many countries of the third world.

The legacy of North American behavior from 1820 to 1920 lives vividly in Mexico today, and deeply influences its dealings and negotiations with the United States. Mexicans look back on that century of U.S. action as an unremitting effort to determine the course of Mexico's destiny by force and by diplomacy. Not only did it seize half the nation's land; it also attempted to

manipulate its internal politics and undermine the greatest revolutionary movement in the country's history. Throughout, in Mexican eyes, the United States revealed itself as greedy, aggressive, hostile, and antirevolutionary—in short, a hemispheric bully, a dangerous colossus to the north. Small wonder that even today so many Mexicans, even those who have American friends and admire American qualities, tend to distrust the North American political establishment, and to regard official U.S. expressions of interest with more apprehension than gratification.

In addition, many Mexicans believe that, in the interest of justice, it is the obligation of current generations, if not actually to compensate for historical inequities, at least to make the handsome gesture of acknowledging them. The United States took unfair advantage in the past, according to this logic, and now it is Mexico's turn to get the better bargain. Of course it would be unrealistic to imagine that U.S. trade concessions in 1984, for example, could make up for the occupation of Mexico City in 1847 or the murder of Madero in 1913—and hardly anyone would seriously suggest as much. It is nonetheless important for Americans to be aware of the historical record and to understand that, for Mexicans, the past is a part of the present. They stress continuities, and they hold one of life's principal duties to be the redemption, or vindication, of the national past. For this reason they can become angered by cavalier statements—common, for example, in many U.S. history textbooks—that the war of 1846–48 was "inevitable," that it expressed our "manifest destiny," and that, besides, it took place a long time ago and it's too late to do anything now. The least the United States can do, in Mexican eyes, is to accept historical responsibility.

2

Economic Development and Social Change

Though it started as a political movement, the Mexican Revolution had a profound and lasting impact on the national economy. The short-run consequences were disastrous. A million people lost their lives, physical destruction was enormous, and capital was scarce. But in the longer run, the revolution had some positive effects: it helped define priorities anew, to establish national goals, and to expand the role of the state in the Mexican economy. Appreciation of these contributions requires historical perspective.

Over the past 100 years the Mexican economy has undergone two fundamental transitions, one based on export-expansion and the other characterized by industrialization. The first phase followed the consolidation of political power under the Porfiriato. A liberal in economic matters, Díaz opened the country to foreign investment and strengthened Mexico's commercial links to the outside world. Stimulated in part by the construction of a railway system, the volume of foreign trade increased nine times between 1877 and 1910. Aside from silver and gold, Mexico began to export such industrial minerals as copper and zinc, mainly from the north; goods produced from cattle and sheep

herding, also from the north; sugar, from the center-south; and fiber, especially henequen from Yucatán. Oil production started just after 1900, and by the 1920s Mexico was one of the world's leading sources of petroleum.

Like many other Latin American countries, Mexico thus embarked on a path toward export-import development. Pursuing the classical strategy of "comparative advantage," Mexico exported raw materials and imported manufactured goods. The United States become the nation's source of investment and trade. By 1910, it seemed to many observers that Mexico was heading for prolonged prosperity.

Cataclysmic events intervened. One was the Mexican Revolution, a complex historical process that took a massive human and economic toll. And then, just as an economic recovery was picking up in the 1920s, the Great Depression struck. Investment stopped and commerce plummeted. In 1930 Mexico's gross domestic product (GDP) fell to 12.5 percent below its 1925 level. As the U.S. economy went, so went Mexico's, and the 1930s proved to be an arduous decade.

Import-Substitution Industrialization

Faced by these cruel realities, Mexico's political leaders took a new tack. Instead of relying on international trade, which made the country vulnerable to economic trends elsewhere (especially in the United States), they began to favor industrialization. Instead of importing finished goods from abroad, Mexico would proceed to manufacture its own products for domestic consumption, a strategy known as "import-substitution industrialization." The state, moreover, would assume an active role in the economy. As though to emphasize this point, President Cárdenas expropriated foreign-owned oil companies in 1938 and placed them under the control of Petróleos Mexicanos (Pemex), a state-run enterprise that would eventually become one of the most important institutions in the entire country.

World War II provided substantial impetus for Mexico's nascent industrial development by cutting back the flow of imports from the United States. President Alemán (1946–52)

took advantage of these conditions by implementing a variety of "protectionist" measures. Import quotas and tariffs kept foreign competition within acceptable bounds, and the devaluation of the peso in 1948–49 (and later in 1954) discouraged Mexican consumers from purchasing imported goods (which cost many more pesos than before, as the exchange rate soared from 4.05 pesos per U.S. dollar to 12.50). The result was to stimulate local manufacturing and to create, within Mexico, a new social sector consisting of prominent industrialists.

By some standards Mexico's industrialization policies met with resounding success. Between 1940 and 1960 the GDP grew from 21.7 billion pesos to 74.3 billion pesos (in constant 1950 prices, thus adjusting for inflation), an average annual increase of 6.4 percent. During the decade of the 1960s Mexico managed to sustain this level of growth, and—with one of the most rapidly swelling populations in the world—achieved a solid per capita growth rate of 3.3 percent per year. Manufacturing came to represent nearly one quarter of the GDP by 1970 and by 1979, as shown in Table 1, the industrial sector as a whole accounted for 38.5 percent of national output. This performance came to be known as the "Mexican miracle," an exemplary combination of economic progress and political stability in an area of the developing world.

Yet the strategy contained internal weaknesses. For one thing, Mexico has encountered limits in the process of import substitution. Protectionist policies helped local industry displace foreign competition from the consumer market, and by 1950 only 7 percent of the final value of nondurable consumer goods was imported from abroad. Mexico has also made some headway with regard to intermediate goods (such as fuel and fabric). But there has been conspicuously less progress in connection with capital goods (technology and heavy machinery). From 1950 to 1969 the proportion of imports in the capital-goods sector dropped from 74 percent to 51 percent but it has seemed to stick in that general area. As a consequence, Mexico's industrial expansion would continue to call for substantial amounts of imports—which could only be paid for by exports. Despite the quest for self-suf-

Table 1
Sectors of the Mexican Economy
(percentage of gross domestic product)

	1960	1979
Agriculture	16.2	9.0
Industry:		
manufacturing	19.3	24.9
mining	4.2	5.2
construction	4.8	6.6
utilities	.8	1.8
(Subtotal, Industry)	(29.1)	(38.5)
Services and Other:		
transport and communication	2.7	3.6
commerce	28.6	26.7
housing and other	24.1	22.3
Size of GDP (billions of 1970 dollars)	16.2	51.2

Source: *Statistical Abstract of Latin America*, Vol. 21 (Los Angeles, UCLA Latin American Center, 1983.

ficiency, Mexico would continue to rely on international commerce.

A second weakness had derived from a long-term shortage of capital. Industrialization is expensive. Some local entrepreneurs, especially in the city of Monterrey, have managed to finance a fair share of industrial development. The Mexican state has likewise assumed an active role, extending credit through such lending institutions as the Nacional Financiera (Nafinsa) and creating an impressive array of government-run companies. Another source of money has been foreign capital. By 1970 direct foreign investment amounted to nearly $3 billion, 80 percent of which came from the United States. And in contrast to previous eras, when mining, communications and transportation were the dominant activities for foreigners, nearly three quarters (73.8 percent) of this investment was in the manufacturing sector, mostly in critical industries: chemicals, petrochemicals, rubber, machinery and industrial equipment.

In a sense, the protectionist strategies of the postwar era have

led to the substitution of foreign imports by foreign capital. In this way Mexico has obtained a considerable share of the financial resources for economic growth from abroad—in the form of direct investment or, in more recent years, in the form of loans. Foreign capital thus contributed to Mexico's economic expansion—and also provided foreigners, especially Americans, with indirect influence on economic policy.

In partial demonstration of this relationship Mexican governments in the 1950s and 1960s turned away from devaluation toward a firm "hard-money" policy, holding the exchange rate at 12.50 pesos to the U.S. dollar. This helped establish Mexico's credentials as an attractive place for foreign capital, since it meant that investors could take home profits made in Mexico without any loss in the transaction (and unlike many countries, Mexico placed no limits on the share of profits that could be repatriated). The hard-money policy became a symbol for the stability and strength of the political regime, but it imposed economic burdens as well. One was to discourage exports, since Mexico's rate of inflation has generally been higher than in the United States. So the peso cost of producing items for export tended to increase, and exporters could maintain their competitive position in the U.S. market only by holding down the final dollar price. How was this problem to be solved? One alternative was to squeeze the difference out of the workers' wages. Another was to de-emphasize exports—an option the country could ill afford, given the need for foreign-exchange earnings in order to promote industrial development. Still another was to restrain inflation through cutbacks in imports and government spending—but imports were needed for production, and subsidies and public welfare were essential to the political and social system.

Yet another solution was to obtain funding from the international credit market. During the 1960s Mexico cautiously began to borrow capital abroad, and by 1970 the country had a cumulative debt (both public and private) of about $3.2 billion. Subsequent governments were more extravagant, and by the mid-1970s the figure was close to $17 billion. The impact of this

burden would depend on Mexico's capacity to repay. In time, the costs would become painfully clear.

A further consequence of this overall growth strategy, and perhaps the most crucial in the long run, is the existence of widespread unemployment. Mexico's industrial sector has been more capital-intensive than labor-intensive; increases in productivity have tended to come from investments in machines and technology, rather than from hiring more workers. (The agricultural sector, by contrast, has been more labor-intensive and less efficient, with about 40 percent of the work force producing about 10 percent of the GDP.) As a result of this tendency, Mexico has had a staggering rate of unemployment, about 20 percent in the 1970s. Furthermore, about three quarters of a million young people have been entering the labor force each year, adding enormous pressure for the creation of new jobs. This poses a potentially explosive social situation and a serious political challenge.

Agriculture: Growth and Decline

Mexico's economic transformation in recent decades has greatly affected—and been affected by—changes in its agricultural sector. Since the age of the Aztecs, farming has played a central role in Mexican culture and society. Agriculture has nourished the nation's growing population with basic foodstuffs, particularly corn and beans (frijoles), and it has thus enabled the expansion of cities and towns. Agricultural exports have at times earned significant amounts of foreign exchange without undergoing the bonanzas (and busts) of mining and oil, and these profits have helped provide the capital for industrial development. In one way or another, farming has been a linchpin of the economic system.

From the mid-1930s to the mid-1960s Mexico achieved a remarkably well-balanced pattern of overall growth. As industrialization took place via import-substitution, agricultural production was steadily increasing at an average annual rate of 4.4 percent. By the early 1960s Mexico was exporting basic grains

(including wheat) as well as "luxury" crops (such as tomatoes), and commercial expansion helped stimulate the entire economy. "To the degree there was a 'Mexican miracle,' " one analyst has said, "it was in agriculture."

Within 10 years this situation suffered a drastic reversal. By 1975 Mexico was importing 10 percent of the grain it consumed; by 1979 it was importing 36 percent of its grains, and in 1983 it imported roughly half the grain it needed. Food has become a scarcity for some: malnutrition has been spreading at alarming rates and may now afflict nearly 40 million Mexicans. Unfortunately, this not only reveals a national crisis in agriculture; it also means that Mexico will have to divert capital that could be used for other purposes, such as debt service or job-producing investments.

What has happened? Mexican agriculture has lost its internal balance. Growth has continued in the commercialized sectors, especially in high-value crops (fruits and vegetables) and livestock feeds (sorghum and forage for poultry and pigs; beef cattle is grass-fed in Mexico). Governmental policies have sustained relatively high levels of production for export, mainly to the United States, and for consumption in the cities, mainly by the middle class. This emphasis has been reinforced by large-scale agribusiness—transnational corporations that have acquired major interests in the agricultural arena, particularly in the animal-feed industry.

Small farmers and peasants have not shared in the benefits. From the 1960s onward national administrations have permitted the real prices of staple goods (especially corn) to undergo long-term decline, a tendency that has discouraged output. Credit went to large-scale operators, and agribusiness took control of large parcels of land. Approximately 4 million peasants are now landless. From time to time their frustration boils over, and bands of peasants occasionally seize and occupy lands for their own use.

These developments have produced considerable controversy over the legacy of agrarian reform in Mexico and, in particular, of

the collective ejidos. Production on the ejidos has not grown as rapidly as on large-scale private farms (whose per-acre output increased by 147 percent between 1950 and 1970, compared to 113 percent for the ejidos). This has prompted some observers to conclude that, in the long run, agrarian reform and collective ownership have reduced agricultural productivity and exacerbated economic problems. But other factors are at work: ejidos generally have lower-quality land and less access to credit and technology; they also tend to concentrate not on luxury crops for export but on staple foodstuffs for the domestic market (where government policy has kept prices low in order to assist urban working-class consumers). In what may be a revealing comparison, ejido productivity increased more rapidly than that of small-scale farmers (113 percent to 73 percent for 1950–70). The problem may not lie in ejidos themselves; it may reside in their resources and incentives.

To alleviate the agricultural crisis the José López Portillo administration designed and in 1980 launched a program called the Mexican Food System (Sistema Alimentario Mexicano, known from its Spanish initials as SAM). The goal was to achieve self-sufficiency in food production, thus eradicating malnutrition and asserting national autonomy with a single stroke. The strategy was to channel income from oil exports into the countryside for the production and consumption of basic grains—"sowing the petroleum," as the catchy slogan stated. SAM was an ambitious and expensive plan, one that cost nearly $4 billion in 1980 alone. Exceptional weather yielded a bumper crop in 1981, and grain production was nearly 30 percent higher than in the drought year 1979. Officials claimed instant success for SAM. Others kept an eye on the weather, and greeted dry spells in 1982 and 1983 with a sense of deep foreboding.

Indeed, one of Mexico's longstanding needs is water. The country is large but it is for the most part an arid land, lacking in rivers and lakes. Irrigation is essential but expensive. Over the past half century Mexico has more than doubled the area of irrigated land for farming, but this has not kept up with

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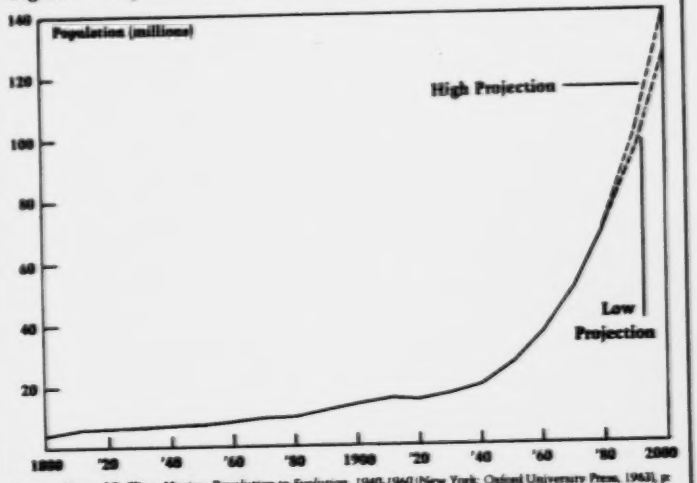
Figure 1. **Population Growth in Mexico, 1800-2000**



Sources: Howard F. Cline, *Mexico: Revolution to Evolution, 1940-1960* (New York: Oxford University Press, 1963), p. 336; James W. Wilkie and Steven Haber, eds., *Statistical Abstract of Latin America*, Vol. 22 (Los Angeles: UCLA Latin American Center, 1983), Table 624; Thomas E. Skidmore and Peter H. Smith, *Modern Latin America* (New York: Oxford University Press, 1984), Table 11-1.

population growth (see Figure 1). So the dependence on rainfall continues, with implications of its own. As the governor of a rural state observed in early 1983, "The absence of water changes people's moods. From the highways you can see groups of peasants in the open fields kneeling around statues of the Virgin, desperately praying for rain. It did not rain last year, nor this year either. If it does not rain by mid-June, the crops are lost because corn planted after that is killed by the autumn frosts before it ripens. Peasants either plant corn or move to the cities."

Social Structure and Social Class

Naturally enough, the processes of economic growth and industrial development have exerted a profound impact on Mexico's social structure. One of the most conspicuous features of this change, both cause and effect of the country's economic transfor-

mation, was a secular trend toward urbanization. In 1900 only 9.2 percent of the Mexican population lived in cities (defined here as communities with 20,000 inhabitants or more); by 1940 the figure had climbed to 18 percent, and by 1970 it stood around 35 percent. In the meantime Mexico City had become one of the largest metropolises on earth, complete with congestion and traffic jams, and its population in the early 1980s was estimated to be about 14 million. Contrary to widespread assumption, Mexico is no longer a rural society of sedentary campesinos. It is becoming an urbanized society of workers and migrants.

Related to this trend has been a reallocation of the labor force. In the early part of this century about 70 percent of Mexico's economically active population was engaged in agriculture, a proportion that has since declined to 40 percent or so. Concurrently, the percentage of workers employed in industry rose steadily, from roughly 10 percent in 1900 to 30 percent in 1980.

Such transformations have had lasting effects on the country's class structure. It is hard to make precise statements on this subject, both because available data are shaky and because of debates about the meaning of "class," but census information yields at least a general picture of the direction and magnitude of change. Table 2 (see next page) displays approximate percentage figures for rural and urban components of the upper, middle, and lower classes for 1900 and 1960. The estimates are based mainly on occupations, which are themselves taken to convey indirect notions of two central dimensions of social class: economic income and social prestige.

The outlines are clear enough. The upper class has remained very small, comprising about one half of 1 percent of the population, while shifting its social location from the countryside to the city, as the traditional *hacendado* (powerful landowner) has given way to bankers and industrialists. The middle class, by contrast, roughly doubled in size, from 8.3 percent to 17.1 percent of the total, with urban and rural components becoming nearly equal in magnitude. By now the middle class may include as much as 25 percent of the total population. As a matter of fact the distinction between upper- and middle-class occupations is

Table 2
Class Structure in 1900 and 1960

Class	1900 (%)	1960 (%)
Upper		
Urban	0.2	0.4
Rural	0.4	0.1
(Subtotal)	(0.6)	(0.5)
Middle		
Urban	1.7	7.2
Rural	6.6	9.9
(Subtotal)	(8.3)	(17.1)
Lower		
Urban	16.3	32.3
Rural	74.8	50.1
(Subtotal)	(91.1)	(82.4)
Total	100.0	100.0

Source: Arturo González Cosío, "Clases y estratos sociales," in *México: Cincuenta años de revolución*, Vol. II, *La vida social*, by Julio Durán Ochoa, *et al.* (Mexico: Fondo de Cultura Económica, 1961), p. 55. For a subsequent discussion and some alternative estimates see James W. Wilkie and Paul D. Wilkens, "Quantifying the Class Structure of Mexico, 1895–1970," in *Statistical Abstract of Latin America*, Vol. 21 (Los Angeles, UCLA Latin American Center, 1983).

extremely tenuous, since many people in middle-class jobs have upper-class incomes (and vice versa), and it might well be preferable to combine the two into a single social class: the nonmanual class, consisting of those who do not work with their hands. But no matter how you look at it, one fundamental point comes through: relatively speaking, the middle class is a privileged class, and people with middle-class incomes fall into the upper quarter of the country's income distribution.

The lower class consists of those who perform manual labor. As the table shows, it decreased in relative size, from 91.1 percent in 1900 to 82.4 percent in 1960 (and, perhaps, to 70–75 percent by 1980). But this should not obscure the increase in absolute size. Because of population increase, Mexico's lower class is undergoing constant growth, a fact with crucial implications for the future.

Rapid population growth is a relatively recent phenomenon.

From 1800 to the 1930s the Mexican population grew at a modest rate, as Figure 1 reveals, partly because of periodic devastation—once during the wars of independence (1810–21) and again during the Mexican Revolution (1910–20). Then the population started a steady climb, from 20 million in 1940 to 36 million in 1960 to 70 million in 1980. By the late 1960s Mexico had one of the highest growth rates in the world, around 3.6 percent per year. Since then the growth rate has subsided a bit, partly in response to governmental policies, but the basic fact persists: nearly half the population today is under the age of 16, so the demand for jobs in the 1980s and 1990s will be necessarily immense.

The most likely prospect, moreover, is for continued demographic growth. Even if the population is held under control, it will probably rise to a minimum of 125 million by the year 2000, and it could well be closer to 140 million. And it is not just a question of size. It is also a matter of composition. Current projections suggest that the working-age population will increase much more rapidly than the population as a whole. This means an increase in productive potential, but it also foretells a staggering need for employment. To put it mildly, this poses a serious challenge.

3

The Political System

To manage economic and social changes Mexico has created a wondrously complex, intricate political system that has maintained itself in power for the last half century by controlling the terms of political debate, absorbing potential challenges with modest reforms, and repressing uncooperative opposition movements. As the institutional heir to the Mexican Revolution in 1910, the current government and its semiofficial PRI have exerted a virtual monopoly on political power. Presidents rule for nonrenewable six-year terms, during which time they command supreme authority: they possess the final word on all major policy questions, they control vast amounts of patronage, and, despite the limitation on incumbency, they can have enduring influence on the path of national development. There is a constitution, of course, and there are regular elections. There have been political prisoners, a fact the government has often denied, and there have been moments of violent repression. In October 1968 army troops killed approximately 300 participants in a large-scale demonstration in Mexico City, an outpouring that had swelled from a student protest against university policies to a critique of police brutality and finally, as Mexico's Olympic

Games approached, to a broad denunciation of social and political inequities. Scores of students were again shot down by paramilitary thugs in 1971, as police stood casually by, and peasant leaders and labor agitators have mysteriously disappeared from time to time.

There are opposition parties, fragmented and weak, but perhaps on the verge of gaining strength. Until the late 1970s a handful of political parties—principally the Partido de Acción Nacional (National Action Party or PAN), the Partido Popular Socialista (Popular Socialist Party or PPS), and the Partido Auténtico de la Revolución Mexicana (Authentic Party of the Mexican Revolution or PARM)—provided the regime with loyal, parliamentary dissent: with low-to-miniscule electoral support, their leaders accepted seats in the congress, criticized occasional decisions (but never the system itself), made frequent deals with the PRI, and, by their mere existence, strengthened the government's claim to popular support and legitimate authority. In recent years a more radical, less collaborationist party movement has appeared. Led by the Partido Socialista Unificado de Mexico (Unified Socialist Party of Mexico or PSUM), a variety of leftist organizations has stressed the unfulfilled hopes of the masses, the long-lost dreams of the Mexican Revolution, and the persistence of injustices. Partly because of its internal divisions, the left has yet to capture a large electoral following, winning only about 10 percent of the vote in the presidential election of 1982. Consolidation of these competing factions into a single party of the left could create a formidable political force in the future.

Outside the party structure there have been terrorist movements, both urban and rural, but their importance has diminished since the mid-1970s. Crackdowns and antiguerrilla campaigns by army and police units appear to have subdued such groups.

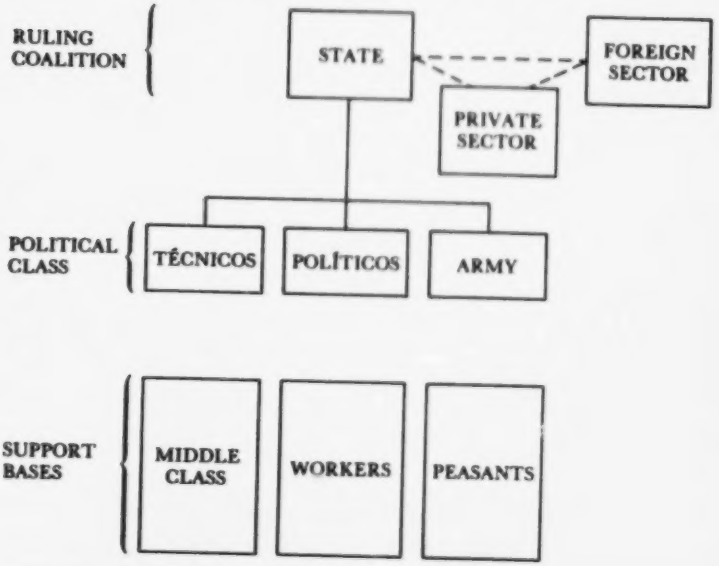
One of the most pervasive aspects of popular feeling, however, is apathy. Voter turnout in presidential elections ranges from 43 to 76 percent, though the ballot is obligatory, and as a whole the Mexican people tend to perceive their government as distant, elitist, and self-serving. A sizable share of the populace, perhaps one quarter to one third, is underfed, underschooled, under-

clothed, and so marginal to the political process that it represents, in the phrase of one Mexican sociologist, an "internal colony." Apathy and marginalization do not necessarily constitute a clear and present danger to the regime (indeed, they often permit the regime to do what it does), but they offer ominous warnings about the potential for future discord and strife.

But if the Mexican political system exhibits authoritarian features, it possesses flexibility too. Top-heavy as it is, the PRI is organized around three distinct sectors: one for peasants, one for workers, and one, quixotically called the popular sector, for almost everyone else. This structure provides at least token representation for broad strata of Mexican society, and it helps explain the passive acceptance, if not enthusiastic endorsement, that the regime enjoys among the masses. A steady rotation of political personnel means that new people, some with new ideas, are able to gain access to high office. When signs of discontent appear, Mexico's rulers have frequently co-opted mass leaders by providing them with public positions, further broadening the base of support for the system. And every decade or so, most recently under President López Portillo (1976–82), the system undergoes a period of self-examination that often leads to some kind of reform (in the latest instance, expanding opposition representation in the national Chamber of Deputies to one quarter of the total seats). The results are less than dramatic but they affirm the system's basic code, which one close observer has succinctly summarized: two carrots, even three or four, then a stick if necessary. Thus Mexico has created its unique political system: a highly institutionalized dominant-party regime under the control of civilian officeholders.

As a whole, the Mexican power structure can perhaps best be viewed as an interlocking series of alliances or pacts—*acuerdos*, in the expressive Spanish term. Figure 2 depicts the system in schematic form. In the broadest sense, the country's ruling coalition contains three separate segments: the Mexican state, the local private sector, and the foreign sector (transnational corporations and their governments). Relationships between these partners are sometimes uneasy and tense, and it is not uncommon for

Figure 2. Mexico: The Power Structure



two of them to join together against a third—as when the Mexican state implements policies to protect local business from foreign competition. Beneath these struggles there exists a deep-seated consensus, a set of understandings that has kept the power structure intact: (1) Mexico will pursue a capitalist path to economic growth, a premise requiring that (2) the popular masses will be kept under control, which means that (3) the state must play a dominant role in this arrangement, while (4) the state and the entrepreneurs can still compete for relative superiority. In such a "mixed economy" the state assumes a dual task: it protects the capitalist system while also defining the terms of its development.

The state is led by a political elite that contains, in turn, three identifiable groups. One consists of *técnicos*, a highly trained

corps of bureaucrats whose main resource is technical expertise; they play critical roles in policy planning, especially in the economy. The second group is the *políticos*, seasoned politicians who have made their way up through the PRI hierarchy and whose institutional base has come from electoral posts (in town councils, state assemblies, governorships, and the national congress). Rivalry between políticos and técnicos has been a recurrent theme in Mexican politics since the 1950s, and it continues to affect the balance of power within the national elite. A third group, often unnoticed by observers, consists of the professional army. The Mexican military has maintained a low profile for the last half century or so, but it has consistently performed some crucial duties—hunting down guerrillas, supervising tense elections, repressing vocal opponents and, in general, upholding law and order. In effect the army has operated as a "silent partner" within the political class, but its position could change in the future.

Mexico's political regime has relied on popular support from three main social-class groups. Particularly prominent in recent decades has been the middle class, a relatively privileged stratum that has received many of the benefits of economic growth. The peasantry has been important for symbolic reasons, since land reform provided a key motivating force in the Mexican Revolution, but campesinos have lacked the organizational resources to exert long-term influence on national politics. More successful in this regard have been urban workers, whose unions collaborate under the centralized leadership of the Confederación de Trabajadores Mexicanos (Mexican Labor Confederation or CTM).

Revealingly enough, each of these three groups comprises a separate unit within the PRI. The nature of these "sectors" further illustrates the ambiguity of the party's role: it is to provide an institutional outlet for these social groups, but it is also to keep them under control. For this purpose it has been especially important to keep workers and peasants apart from each other, to prevent the formation of a lower-class coalition that could threaten the system as a whole. As former President Alemán

recalled, in the late 1930s and early 1940s "there was an effort to merge the peasant organizations with those of the workers. With that," insisted Alemán, "the political stability of Mexico would have disappeared. Who would have appeased this group? . . . Would we have been able to preserve stability in such a situation?" To forestall this outcome, Mexico instead constructed a corporate state, and the PRI and its sectors have come to comprise its fundamental pillars of support.

This structure proved extraordinarily effective in helping resolve the governmental crises that beset Mexico from the 1910s through the 1960s. A variety of state-directed programs—subsidies, price controls, wage agreements—provided the masses (especially urban labor) with sufficient tangible benefits to prevent any serious radical challenge to the system as a whole: such policies may not have complied with orthodox economic doctrine, but they met a crucial political goal. By the mid-1970s, however, the country appeared to be facing a new kind of challenge. Import-substitution industrialization had lost much of its dynamism, unemployment was rampant, and inflation was starting to rise. President Luis Echeverría (1970–76) only seemed to aggravate social tension through his incendiary rhetoric, his permissive stance toward land seizures in the countryside and his continuing conflicts with the entrepreneurial sector. When López Portillo assumed the presidency in December 1976, many Mexicans were anticipating difficult times. Then the country struck oil.

4

The Crisis of the 1980s

Many observers believed that petroleum offered a genuine solution to Mexico's problems. The oil crisis of the early 1970s had demonstrated the awesome power of a cohesive producers' cartel, and prices continued to climb throughout the decade. Export earnings came to be seen as a long-term and dependable source of capital for economic development, and petroleum-rich nations acquired prestige and influence in the global arena. As López Portillo would boast at one point, "You can divide the countries of the world into two types, the ones that have oil and the ones that do not. We have oil." Ironically enough, it was this conviction—and the policies deriving from it—that helped lead Mexico toward financial collapse by the early 1980s.

The Oil Boom—or Bust?

During the decades after the expropriation of foreign oil companies in 1938 by President Cárdenas, Mexico kept a low profile in the international world of petroleum. Pemex functioned efficiently enough, producing steady supplies of oil at extremely low prices for the nation's growing but relatively modest needs. Exports were negligible and imports significant at times.

By 1976 successive oil discoveries had raised Mexico's proven oil reserves to approximately 6.3 billion barrels, and this was taken as reassuring news. Without doubt, most thought, Pemex would be able to satisfy domestic requirements for the foreseeable future.

Then the talk of bonanza began. Announcements of new discoveries, especially in the south, doubled and redoubled official estimates of Mexican oil reserves. By September 1979 López Portillo could confirm that the country's oil and natural gas deposits contained the energy equivalent of 45.8 billion barrels of "proven" reserves, 45 billion barrels of "probable" reserves, and 110 billion barrels of "potential" reserves, for a grand total of 200 billion barrels in all. By any conceivable yardstick, these were tremendous amounts—although "potential" is a lot less certain than "proven."

Approximately three quarters of the Mexican reserves consist of crude oil—the black, sticky substance that can be shipped in tankers to any port on earth. The rest takes the form of natural gas (actually measured in cubic feet, but its energy value can be expressed in oil-barrel equivalent by a standard formula). Natural gas is found in two kinds of geological formation: some is "associated" with deposits of crude oil, and must necessarily be tapped whenever the oil is extracted: some is of the "nonassociated" kind that is not connected with petroleum itself. Aside from the figures on "probable" and "potential" reserves—figures of a kind that other major producers do not even make public—Mexico possesses about 5 percent of world proven reserves of crude oil and 3 percent of world proven reserves of natural gas.

The oil discoveries prompted intense debate within Mexican political circles. What was to be done with the deposits? The left, led by students and intellectuals, called for limitations on petroleum production that would preserve the nation's patrimony, avert overdependence on buyers, and prevent the social dislocations—inflation, frustration, and inequality—seen in such countries as Iran. The right, mainly industrialists, clamored for a rapid development policy in order to pay off the national debt, acquire reserves of foreign exchange, and ward off potential

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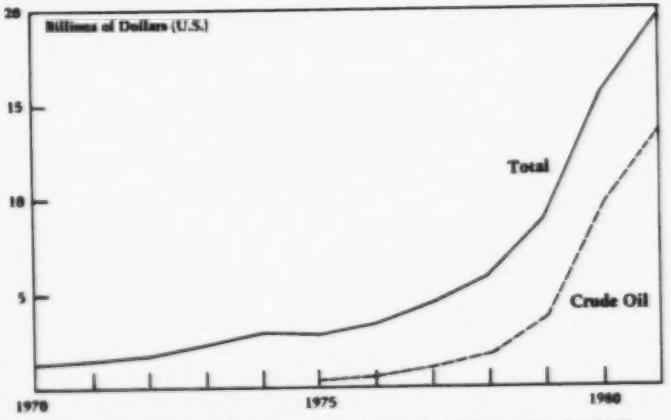
Figure 3. **Mexican Exports, 1970-1981**



Source: International Monetary Fund, *International Financial Statistics*, April 1977, April 1980 and April 1983.

commercial threats from alternative energy sources. After some hesitation the López Portillo administration took an intermediate course, seeking to satisfy domestic needs and to export 1.25 million barrels per day (bpd). The intent was to stimulate growth and employment without creating excessive dependence on oil sales. Under no circumstances, government officials vowed, would Mexico become beholden to its bounty.

Temptation proved hard to resist. To meet the need for foreign exchange, both to stimulate growth and to deal with the debt, the López Portillo administration pushed ahead with petroleum exports, increasing the daily ceiling to 1.50 million bpd. And as the international price of oil kept rising, due largely to the efforts of the Organization of Petroleum Exporting Countries (OPEC), to which Mexico does not belong, so did Mexico's receipts. Oil earnings soared from $311 million in 1976 to nearly $14 billion in 1981, by that time accounting for nearly three quarters of Mexican exports. One disturbing sign, in fact, was the relative decline in the role of non-oil exports (especially agricultural

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commodities). Almost in spite of itself, the Mexican economy was undergoing a process of "petrolization" (see Figure 3).

In a sense the strategy appeared to work. In real terms (that is, allowing for inflation) the GDP grew by the highest rates in recent memory: 8.2 percent in 1978, 9.2 percent in 1979, 8.3 percent in 1980 and 8.1 percent in 1981. This was an extraordinary achievement—during a period when the United States and the rest of the industrial world were floundering through stagflation and recession, and it seemed to justify the government's pursuit of petroleum-led growth. In fact this expansion resulted in the creation of all-important new jobs—nearly a million of them in the spectacular year of 1979—and it also increased the magnitude of the economic role of the state.

But the policy incurred major costs. Almost unbelievably, one principal drawback came from the balance of trade. While the value of exports increased dramatically, as shown in Figure 3, the quantity of imports increased even more. The result was a staggering commercial deficit: $2.1 billion in 1978, $3.6 billion in 1979, $3.2 billion in 1980 and again in 1981. Economic expansion required importation, especially of intermediate and capital goods, and Mexico continued to purchase more than it sold.

Such deficits have been partly offset in recent decades by two kinds of transactions. One has been the tourist trade. Because of its exceptional charm and natural endowments, Mexico attracts millions of tourists every year. Vacationers' largesse represents a major source of income for the country ($1.5 billion in 1982), and this helps counterbalance the deficit in merchandise trade.

The other contribution comes from a special category of transactions along the American border. As shown on Map 2 (see p. 45), the 2,000-mile frontier is adorned by a necklace of twin cities, stretching from Tijuana-San Diego on the Pacific coast to Matamoros-Brownsville on the Gulf of Mexico. Each pair shares telephone services, industrial activities and citizens. All in all, over 100 million trips are made back and forth across the border every year; tens of thousands commute daily from homes on one side to jobs on the other. A unique feature of this situation has derived from the Border Industrialization Plan. Under the plan

Mexico waives duties and restrictions on imports and foreign capital to be used by factories within an agreed-upon distance from the border itself, on the condition that 100 percent of the products are then exported from Mexico to earn foreign exchange and do not compete with national firms for the local market. The United States, for its part, taxes only the "value added" on the products when they reenter this country. The result has been to create over 130,000 jobs in these special plants, known as *maquiladoras,* and to provide an important boost for Mexican exports.

Customarily, the combined surplus from tourism and border transactions had produced a substantial net inflow that compensated for a large share of the commercial deficit (in 1978, for instance, the net surplus of $1.5 billion managed to offset about 65 percent of that year's negative trade balance of $2.2 billion). But by 1981 the situation had changed. Tourism yielded almost no surplus at all, as high-income Mexicans spent lavish amounts of money abroad (the overvalued peso made foreign travel cheap), while the maquiladoras and other border industries suffered from the recession in the United States. In 1981 Mexico's overall balance of payments ran up a deficit of $11.7 billion, an enormous sum by any standard—especially for a country rich in oil.

Meanwhile the government went into debt itself. To implement its high-growth strategy the López Portillo administration undertook high-cost initiatives that increased the economic participation of the state. In relative terms, the government's deficit went from around 7 percent of GDP in the 1970s, a level sustained during much of the decade, to 14 percent in 1981 and 16.5 percent in 1982. Public expenditures had become much greater than government receipts (see Figure 4, p. 50).

The deficit and balance-of-payments problems left one available option: to borrow funds from abroad. Mexico's private businesses and state agencies searched for capital in the international market. And foreign bankers, apparently bedazzled by the oil discoveries, hastened forward with massive loans. The national debt continued its inexorable climb, from around $30 billion in 1977–78 to $54 billion in 1980, to more than $80 billion by 1982. About

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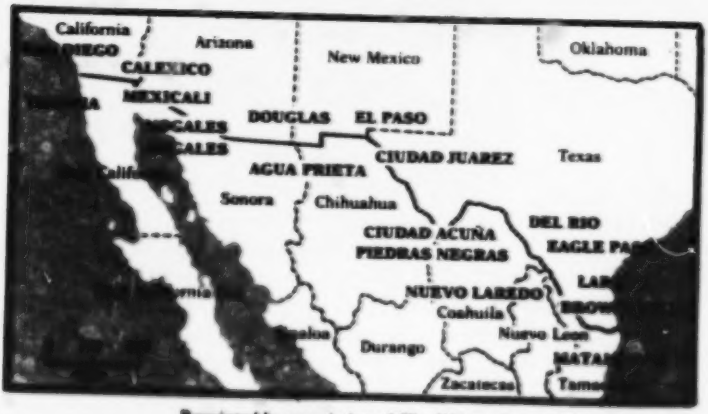
MAP 2.

THE BORDER REGION



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three quarters of this debt belonged to the public sector.

Inflation accelerated too. Almost alone among developing nations, Mexico successfully resisted inflation through the 1960s, keeping annual rates around 5 percent or less. In the mid-1970s price increases moved up around 20 percent, still reasonable by international standards, but then they jumped to 30–40 percent under the high-growth strategies of the López Portillo administration. In 1982 the rate was nearly 100 percent. This inflationary pattern reduced the purchasing power of workers and, especially because it came so suddenly, threatened to bring on social tension. The economic strategy was heading for a showdown. "The bottom had to fall out," said an economist at one of Mexico's biggest banks. "Nobody expected it so fast."

In retrospect, it appears that the López Portillo administration committed two fatal errors in economic policy. One was to place too much confidence in petroleum exports. The extraction and commercialization of Mexico's oil reserves required large-scale investments, so a considerable share of petrodollar earnings were plowed back into the oil industry: as the energy sector expanded,

therefore, the rest of the economy languished. Moreover, the urgent need to create new jobs tempted López Portillo to push for high rates of growth; in addition, the no-reelection clause may have lured him into short-run strategies that would achieve tangible results during the course of his nonrenewable presidential term. At any rate, Mexico began to spend its petroleum earnings before they were safely in hand (hence, in part, the borrowing abroad). For these reasons Mexico became extraordinarily dependent on its energy exports—as revealed in Figure 3—and this made the country vulnerable to changes in the international price of oil.

In 1981 a worldwide glut in oil supplies led to a sharp drop in prices. Mexico attempted to resist this trend, and internal policy disputes led to the abrupt resignation of Jorge Díaz Serrano from the directorship of Pemex. López Portillo eventually had to settle for a price reduction, however, and this led to a significant drop in anticipated export earnings. Because of overambitious policies, Mexico fell victim to forces beyond its control.

A second mistake was continued overvaluation of the peso. By 1980 the constant drain on dollar reserves (due to trade deficits and capital flight) was leading to pressure for devaluation of the peso. Such a step would reduce imports, increase exports, and stem the flight of capital, since dollars would cost more pesos than before. But López Portillo and his advisers did not go along with this, partly because the economy was booming anyway and partly because interest rates were rising on the foreign debt. (The loans required repayment in "hard" currency, so it was advantageous to keep dollars fairly cheap in terms of pesos.) The effect was to build up even more pressure for devaluation and to encourage even more capital flight.

Another kind of miscalculation concerned the ethics of public office. For a variety of reasons Mexican society has long tolerated the idea of self-enrichment through the possession of political office—what moralistic North Americans are quick to call corruption. (One practical consequence of this tradition, if not a motive for it, is to permit people of modest background to pursue politics as a full-time career; another is to encourage them to

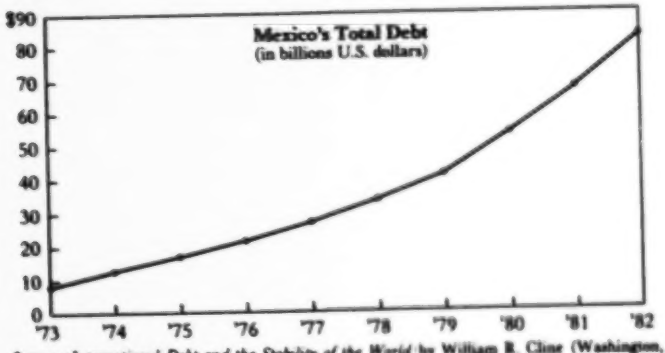
accept the prospect of early exit from high office, thus permitting the turnover—and extension of patronage—that has helped to stabilize the political system.) But even in Mexico the practice has its limits. And according to widespread rumor, at least, López Portillo and his cronies transgressed those time-honored boundaries by helping themselves to excessive amounts of the public treasury and in too flagrant a fashion. López Portillo has constructed an egregiously palatial residence for himself and his family on the outskirts of Mexico City, for instance, and prominent Mexican officials have been reliably reported to lose $300,000 to $400,000 at gaming tables "without blinking an eye." The direct result has been to cast the López Portillo presidency under an unprecedented light of general opprobrium. An indirect result has been to raise questions about the conduct and the legitimacy of the entire political elite.

1982: Year of the Shocks

The political dimensions of an impending crisis began to appear in September 1981 when López Portillo announced his selection of Miguel de la Madrid Hurtado as president-designate for 1982–88. The choice seemed understandable on its merits and consistent with tradition. A close personal friend (and one-time student) of López Portillo's, De la Madrid had played a prominent role in the formulation of economic policy. Handsome and well-educated (with a master's degree in public administration from Harvard), he showed every sign of the intellectual and bureaucratic capacity required by the presidency. De la Madrid had only one drawback: a technocrat par excellence, he had never held elective office and he had weak connections with the PRI. This made it all the more significant when the president of the PRI expressed his unhappiness over De la Madrid's nomination—and lost his job in the bargain.

Economic difficulties became apparent in February 1982, when the López Portillo administration decided to let the peso "float" on the international market—and it promptly plummeted in value from 26 per dollar to around 45 per dollar. Inflation continued its upward climb. In March the finance minister resigned. In August

the government decreed another devaluation. The peso fell to 75–80 per dollar and Mexico announced that, given its shortage of foreign exchange, it might not be able to meet its debt



Source: *International Debt and the Stability of the World* by William R. Cline (Washington, D.C., Institute for International Economics, 1983), pp. 130–31.

obligations. While the international banking community scrambled to provide some short-term relief, López Portillo complained about capital flight, decried the existence of speculation against the peso, and denounced the "vultures" seeking ill-gotten gains.

In his annual message on September 1, 1982, López Portillo stunned his audience by declaring state expropriation of privately owned domestic banks (foreign-owned banks were exempted). Hand-in-hand with this decree went the imposition of government control on the foreign-exchange rate, set at 70 per dollar for commercial purposes and 50 per dollar for preferential transactions.

The left applauded the nationalization and López Portillo claimed his place in history. And though his decision has been widely criticized, it represented a plausible (if unworkable) set of options for the state. The longstanding coalitions were now under seige, and López Portillo made a decisive choice. By nationalizing the banks—and perhaps more importantly, by setting up exchange controls—López Portillo ruptured the time-honored partnership between the state, the private sector, and foreign investors. With control over 70 percent of investment the state could now attempt to go it alone, and in so doing it could

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consolidate its alliance with workers and peasants. Thus López Portillo sought to resurrect and consolidate a "populist" political regime in Mexico, a model designed to link a mass following with elite leadership through a dynamic and powerful state. In this endeavor the president could count on the collaboration of políticos and nationalistic técnicos. In a style reminiscent of Cárdenas, López Portillo thus provided a final signature for his six-year term in office.

De la Madrid Takes Control

De la Madrid won the July 4 election with nearly 75 percent of the vote but, as custom demanded, he kept silent until his own inauguration on December 1. When his opportunity finally came he roundly criticized "financial populism" (without naming names, of course) and called for the "moral renovation" of society and government. The bank expropriation itself was "irreversible," he conceded, but his administration would take the true road to recovery. "The first months of the government will be arduous and difficult. The situation requires it. The austerity is obligatory."

The new president moved with remarkable speed. De la Madrid appointed a Cabinet full of proficient technocrats like himself, holding over Jesús Silva Herzog as minister of finance and reinstating Miguel Mancera Aguayo (who had opposed exchange controls) as head of the central bank. He accepted the International Monetary Fund (IMF) conditions for renegotiation of the debt, including a provision that the budget deficit be gradually reduced from 16.5 percent of GDP in 1982 to 3.5 percent in 1985. He lifted price controls on 2,500 consumer items and provided pricing flexibility on 2,000 more. Through Mancera he floated the peso once again and its free-market value fell to around 150 per dollar. With measures of this kind De la Madrid was attempting to restore Mexico's credit with the international community and, in so doing, to repair the relationship between the state and the foreign sector.

The president also took steps to revive and reassure the local business community. In sharp contrast to López Portillo's heated

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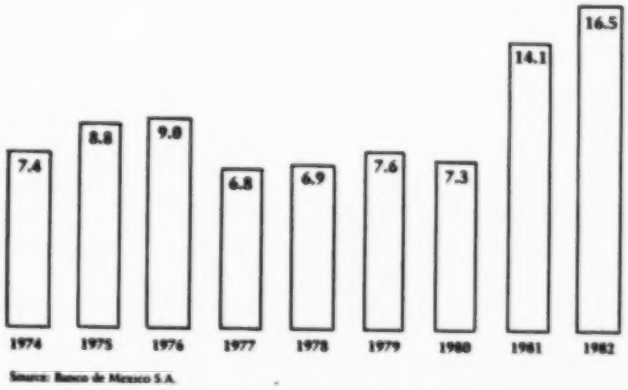
Figure 4. **Financial Deficit as Percentage of Gross Domestic Product**



Source: Banco de Mexico S.A.

denunciation of profit-seeking vultures, De la Madrid used his inaugural address to express praise for "responsible and patriotic entrepreneurs—who form a majority." And though the bank nationalization could not be reversed, he intimated that the private sector would still have an important role in the economy. "To nationalize is not to state-ize (*'estatizar'*)," De la Madrid insisted: "We shall not state-ize society."

True to his word, De la Madrid followed up in January 1983 by sending a bill to congress that would authorize the sale of 34 percent ownership in the newly nationalized banks to private investors. In February he announced a plan for extending financial credit to "productive" enterprises. Later in the year, the government began paying compensation (in 10-year bonds) to former owners of the banks.

Clearly, De la Madrid was trying to restore Mexico's long-standing ruling coalition—the three-way alliance between the state, the private sector, and the foreign sector—that had guided the nation on its postwar path to economic growth. His strategy

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has been to consolidate power at the uppermost reaches of the social order and to utilize this strength to shape and implement policy. From the start, either from necessity or choice, the De la Madrid administration has moved in a conservative direction.

This orientation has posed some complications for the country's political class (see Figure 2). De la Madrid drew almost his entire Cabinet from the ranks of técnicos, sophisticated experts whose bureaucratic background and technical capacity seemed to provide ideal credentials for executing an austerity program. Políticos, the old-time politicians and party bosses, were most conspicuous by their exclusion from the new administration; there was some muttering and grumbling within the PRI, but discontent was muffled by late 1983. Signals from the military were also unclear, though De la Madrid showered the armed services with lavish praise in his inaugural address. Most onlookers suspected that the president would go to considerable lengths to preserve intact the silent partnership between civilian rulers and military leaders.

But De la Madrid's economic strategy imposed a large cost, and the burden of payment fell on one key social sector: the working class. Throughout 1983 inflation was running at a 70–90 percent clip, but labor had to settle for wage increases of 25 percent or so. The removal of price ceilings and public subsidies raised the cost of basic necessities. In July, for example, the government announced a 40 percent hike in the price of corn tortillas and a 100 percent increase in the price of bread. Overall, economists were estimating that the real purchasing power of the working class was declining at the rate of 20 percent a year.

The food-price increases did not, however, represent a coherent attempt to stimulate agricultural development. So far De la Madrid has refrained from articulating any large-scale agrarian program. He abandoned the Mexican Food System along with other "statist" elements of the López Portillo regime, and in late 1983 he replaced it with a modest food-production program. Agrarian reform, once the centerpiece of revolution, seems to have lost its place on the national agenda.

Urban labor presented a grave political problem. The mid-

1983 round of salary negotiations resulted in stalemate and confrontation. Workers threatened to strike in about 1,000 companies, a prospect that was averted in most cases only by the postponement of discussions (rather than by the settlement of issues). For a moment the struggle came out in the open: on behalf of labor Fidel Velásquez called for a wage-price freeze, and in exasperation De la Madrid denounced the plan as "demagogic." Conciliation followed but the basic message seemed clear. Relationships between labor and the government were suffering from strain.

In short, De la Madrid's attempt to reestablish and consolidate the ruling coalition ran the risk of alienating the system's social bases of support—especially the urban masses. The peasantry kept its silence, and will probably stay under control, but there remained a question mark: the reaction of the middle class. Among the system's support groups this is the most vocal and potentially the most volatile. Because of its internal complexity it is also the hardest to predict. As has so often occurred in other Latin American countries, the behavior of the middle class could well determine the balance of political power in the years to come.

Perhaps in recognition of this reality, and in a general effort to shore up his support, De la Madrid has continued to distance himself from López Portillo through the insistence on moral renovation. This campaign has been widely interpreted as an attack on López Portillo and his collaborators, who are thought to have enriched themselves excessively and brazenly. In late 1983, after months of public rumors, the De la Madrid government went after one of the former president's most prominent associates by bringing charges against Díaz Serrano, the ex-head of Pemex and a senator from Sonora, for alleged participation in a multi-million-dollar fraud. It was later learned that the ex-president's sister, Alicia López Portillo, was the target of a parallel investigation. Such accusations bore no precedent in recent history, and they underscored De la Madrid's determination to free his own administration from overidentification with the López Portillo government. (There were limits, of course, given the nature of the

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Mexican President
Miguel de la Madrid Hurtado

Courtesy of the Mexican Consulate General

system, but De la Madrid was doing as much as he dared.)

Whatever else was happening, political business was no longer being conducted entirely as usual. Where would it end? Prediction is always difficult, if not impossible, but the perplexity of Mexico's predicament invites prognostication. It may be useful to speculate about the most likely types of transition.

Scenarios for Change

One possibility is that the system will survive intact, that De la Madrid will restore the social compact between elites and masses. The political system would thus retain its present characteristics of moderate authoritarianism: competition will be limited, mobilization will be low, elections will serve as ritualistic plebiscites. Party opponents will express loyalty to the system and accept the hegemony of the PRI. The private sector will revive and the state will continue its economic partnership with local capital and foreign transnationals. Mexico has shown flexibility before, according to this view, and it can do so again. The more it changes, as the adage goes, the more it will stay the same.

A second scenario envisions genuine liberalization of the political system. In this conception the institutional reforms of the late 1970s would become so thoroughly implemented and extended that opposition parties, of the left as well as the right, would acquire a legitimate and enduring place on the national scene. The PRI would accept and espouse its position as a party of the center. Dialogue and debate would become an integral part of political discourse, and ruling groups would seek the assistance of opposition leaders in forming a national agenda (if not a consensus). Competition would increase. It would become feasible for opposition parties to capture major electoral contests—in the 1980s perhaps governorships and mayorships in prominent cities, in the 1990s maybe more—and to hold Cabinet portfolios. The presidency would continue to wield great power, but it would no longer command imperial omnipotence.

Such a development seems feasible enough, at least at first glance, especially because it would continue changes already started in the 1970s. But it is likely to meet with stiff resistance from key elites: from técnicos who want to continue their present near-monopoly on policy; and from PRI-style políticos who have suffered losses to the técnicos, and who would now be obliged to concede part of their electoral monopoly to opposition politicians. In other words, it will be difficult to obtain and sustain a consensus on this kind of transition within the political class.

A third option, both disturbing and realistic, envisions a "hardening" of the political system. This could follow from two related developments: disintegration of the organized labor movement (especially if the aging Fidel Velásquez were to fade from the scene), and the expression of urban unrest (triggered by price hikes or other bread-and-butter issues). Under such conditions the military may take decisive steps to quell popular disturbances, as it did in 1968, and it may also demand a stronger role in making policy. This would not necessitate the imposition of a military dictatorship à la Argentina or Brazil. It would mean political encroachment by the military during the 1980s and 1990s, and a hard turn to the right in social policy.

This scenario is not a far-fetched fantasy. Early in 1983 one of Mexico's most respected columnists, Manuel Buendía of *Excélsior,* noted labor's mounting anger over reductions in consumer subsidies. Official union leaders, Buendía observed,

> are really terrified by the message they are receiving from the people as a result of the rise in the cost of living. And they feel—because they are the most sensitive part of this old and wise political system—that at any time they could be overtaken by the union grassroots.
>
> If that happens—and the possibility grows by the hour—the workers' anger would spill over into the streets. It would link up with the anger of the bureaucrats and would have an immediate incendiary effect on certain sectors of the middle class. Then we would have something much worse than the hot and bloody summer of 1968.

Apocalyptic as this vision might seem, it underscores the special characteristics of Mexico's political and social system. In contrast to Central America, for instance, popular unrest is more likely to break out in the cities than in the countryside. The focal point is almost certain to be urban labor, plus some segments of the middle class, rather than the peasantry. The demands would deal with practical issues, like prices and wages, rather than ideological utopias. And the most likely outcome is neither civil war nor leftist insurgency; it is repression and military ascendancy. (Theoretically, it is possible that popular disturbances could lead to civil war and disintegration of the system; but the establishment in Mexico is very strong, and this does not appear to be a serious possibility within the foreseeable future.)

Mexico has the institutional capability to cope with popular pressure. There exists a well-entrenched political system noted for its pragmatism and flexibility. In contrast to most of Central America, Mexico has a strong political center. The question is how it responds.

What can the United States do? How does Mexico's relationship with the United States affect its political situation and its options for the future?

5

U.S.-Mexican Relations

Mexico's contemporary plight has serious implications for U.S.-Mexican relations. For in dealing with Mexico, we are dealing with a government simultaneously beset by two kinds of challenges: first, the need to solve an almost overwhelming set of socioeconomic problems that have been exacerbated (but were not wholly created) by the debt crisis of 1982; and second, the long-term need to broaden its own political support. At times these goals may seem mutually inconsistent, if not downright contradictory. It is frequently argued that dictatorship, either reactionary or revolutionary, constitutes a necessary prerequisite for economic growth or income redistribution, as the examples of Chile and Cuba allegedly attest. To avoid such stark outcomes Mexican leaders must strike a delicate balance. In order to maintain the peace, to meet the needs of their people, and to improve representation within their political system, they may well have to adopt far-reaching, radical-appearing policies. They will continue to feel a patriotic need to protect their country's resources, assert their nation's autonomy, and insist on pursuit of their own interests—especially against pressure from their giant neighbor to the north. And yet, in the process, they will not want

to frighten off the U.S. capital and technology they still need for national development. If the Mexicans cannot attain these goals, the choice will be a most unpleasant one: either a major upheaval from below, from restless urban masses and laborers or, more probably, an increase in repression and in the political role of the armed forces.

Political stability in Mexico is therefore a major concern for the United States. For all its imperfections, the Mexican government represents the kind of regime the United States should encourage and support in Latin America. It responds to popular needs, it attempts (at least in its fashion) to articulate programs for the masses, it speaks for the national will. In short, it has the support, active or passive, of most segments of the population. The Mexicans will not always follow our lead, but that we must accept. Americans must comprehend the difficulty of the choices that the Mexicans will have to make, and must recognize that stability, if it is to persist, will mean accommodation to change.

Throughout the transitions of the 1980s, however, basic characteristics of the U.S.-Mexican relationship are certain to endure. These include:

▶ Asymmetry: The United States is bigger, stronger, and richer than Mexico, and has been ever since the early 19th century (though not before). There is no bargaining here between equals. Overall, the United States will continue to have the upper hand—and this will continue to engender suspicion and resentment. "Poor Mexico," one well-known slogan goes, "so far from God and so close to the United States."

▶ Conflict: Despite some common outlooks and goals, there will be disagreement on specific issues. What's good for Mexico is not always good for the United States, and vice versa (or, in more refined terms, what's good for certain interests in Mexico might not be good for certain interests in the United States).

▶ Diplomatic limitations: Government-to-government negotiations do not and will not have the capacity to resolve some key bilateral issues in a definitive manner. This is partly due to the nature of the issues, such as migration, which responds to socioeconomic stimuli and stoutly resists official regulation. It

also reflects diversity and contradictions in policymaking, particularly in the United States (where multitudinous government agencies, each with its own perspective and constituency—including almost all departments of the Executive branch, plus both houses of Congress—take part in the policy process). Inconsistency is more apparent in U.S. decisionmaking toward Mexico than toward Cuba, for instance, where the bilateral agenda is more clearly defined. This situation contrasts sharply with Mexico, where presidential will prevails.

Moreover, it is increasingly obvious that the respective conditions of the U.S. and Mexican economies—and the relationship between them—depend largely on the global economy itself. Continued recovery and growth of the international economy have one set of implications for U.S.-Mexican relations; recession and stagflation have quite another. The outcome depends, of course, on a wide variety of factors—in Europe, the Middle East, and elsewhere—that lie far outside the boundaries of conventional diplomacy. To this extent the bilateral relationship between Mexico and the United States has fallen hostage to the world economy.

▶ Cultural differences: Underlying all these factors are divergent value systems and senses of history. North Americans look to the future while Mexicans, like most other civilized peoples, remain keenly aware of the past. As the philosopher-poet Octavio Paz once said: "It seems to me that North Americans consider the world to be something that can be perfected, and that we [Mexicans] consider it to be something that can be redeemed."

This concern with history has instilled Mexicans with deep-seated suspicion of the United States. They recall with bitterness the disputes over Texas and the war of the North American invasion that led to the loss of half the nation's territory. They remember U.S. intervention in the Mexican Revolution of 1910, including our possible acquiescence in the assassination of Madero (since revered as the "apostle" of the revolution) and our Navy's occupation of the port of Veracruz. Pridefully noting the prestige of Pemex, they are reminded of our strident opposition to the nationalization of oil in 1938. Such recollections directly affect

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Michael Evans, The White House
President Reagan with former Mexican president José López Portillo

the style and tone of bilateral negotiations. As López Portillo declared on one occasion, after the discovery of the new energy reserves, Mexico "suddenly found itself the center of American attention—attention that is a surprising mixture of interest, disdain and fear, much like the recurring vague fears you yourselves [the United States] inspire in certain areas of our national subconsciousness."

Mexico and the Reagan Administration

Mexico occupies an important place in the Reagan Administration's strategy toward Latin America as a whole. Because of its political stability, it appears to offer a viable alternative to Communist (or even Marxist) solutions. And because of its relative strength and prestige, Mexico seems to have the capacity

to play the role of diplomatic broker between the United States and other parts of Latin America. Viewed within an East-West framework, Mexico can thus contribute to the containment of communism. It is also the ultimate domino. As one Reagan Administration official has declared, "Mexico is the decisive battleground. If we make no headway in El Salvador or in Guatemala in forestalling Marxist-Leninist takeovers, I do not know what the United States or anyone could do to prevent Mexico from falling to a similar regime."

Given this outlook, the Reagan Administration has tried hard to create a positive atmosphere for U.S.-Mexican relations. Unlike Jimmy Carter, President Reagan established excellent personal rapport with López Portillo and, to a lesser extent, with De la Madrid. The elimination of the "consultative mechanism" and of the office of Special Coordinator for Mexican Affairs, both closely identified with the Carter approach, have underscored the Administration's determination to improve matters. Despite initial ridicule over his appointment, U.S. Ambassador John A. Gavin has earned respect in many quarters for his modest manner (and fluent Spanish). Visits to Mexico by topmost officials—including the President, the vice-president, and the secretary of state—have gratified Mexican sensibilities.

Mexico thus constitutes a high priority. Indeed, as one seasoned observer has noted, the Reagan Administration's approach to Latin America appears to consist of three parts: no more Nicaraguas, good relations with the southern cone, and good relations with Mexico. But this is not really a policy; it is a posture. "It's all very nice," another insider said, but outside of debt renegotiation "there's nothing of substance. It's just atmospherics."

The Bilateral Agenda

At present—and in the foreseeable future—the agenda for Mexico and the United States consists of two sets of issues: regional and bilateral. Bilateral questions focus mainly on socioeconomic matters. There are no military or territorial disputes.

The principal concerns relate to trade, energy, debt, and migration.

Trade: Points of conflict stem from typical buyer-seller tensions and from differing national economic strategies. Asymmetry pervades negotiations in this realm: About two thirds of Mexico's international commercial transactions are with the United States, while Mexico accounts for only 4 percent of U.S. international transactions.

Mexico's desire to increase exports to the United States has often, and increasingly, met with challenges from U.S. producers. In the 1970s Florida tomato growers accused Mexico of "dumping" goods on the U.S. market at artificially low prices, and mounted a lengthy (and unsuccessful) legal effort to obtain protection from the U.S. government. In recent years U.S. businessmen have charged that Mexican producers have received subsidies from their government and claimed that this assistance has created an unfair advantage in the marketplace, allowing them to undersell U.S. competitors. In some cases (leather products, auto parts, pharmaceuticals) the Reagan Administration has imposed countervailing duties on allegedly subsidized goods. Mexicans have responded angrily, demanding that U.S. businessmen demonstrate "proof of damage" (*prueba de daño*) in order to initiate a legal suit.

Sales to Mexico create another kind of problem. Traditionally, Mexico's strategy of import-substitution has led to a protectionist commercial stance (with quotas or tariffs on most goods from the United States). The debt crisis of 1982–83 obliged the Mexican government to place even more controls on imports, while devaluations of the peso sharply reduced the country's capacity to pay in U.S. dollars. By early 1984 it appeared that Mexico might be ready to relax restrictions on imported goods, while stopping short of a long-term commitment to liberal trade regulations.

In short, Mexico wants to increase exports and restrain imports. U.S. producers and trade representatives express occasional frustration over the one-sidedness of this position, especially as the U.S. trade deficit continues to climb (from $39.2

billion in 1977 to $69.4 billion in 1983, a trend that has given rise to considerable protectionist sentiment in the United States). In response, Mexicans say that they do not have any choice. To repay the massive national debt they need a large trade surplus of their own, and this demands a positive balance of trade in dealings with the United States.

This disagreement is exacerbated by the two countries' long-standing differences in outlook on frameworks for trade negotiations. The United States has long advocated multilateral arrangements, and has unsuccessfully attempted to persuade Mexico to join the General Agreement on Tariffs and Trade (GATT). In order to preserve flexibility and independence, Mexico has resisted these overtures and preferred to rely on bilateral negotiations. At the moment, commercial questions and disputes between the United States and Mexico are handled on a case-by-case, ad hoc basis; there is no overall accord on trade.

Energy: Mexico has oil and gas the United States would like to buy. Proven hydrocarbon reserves now amount to about 72 billion barrels and potential deposits are estimated at 250 billion barrels, perhaps second only to Saudi Arabia. Here the interests of producer and consumer do not coincide. The United States wants to purchase large amounts at modest prices, while Mexico wants (a) to conserve as much oil as possible for its own industrial development, setting a ceiling on exports of 1.5 million bpd, (b) to obtain a good price for its exports, usually staying around OPEC levels, and (c) to diversify its customers, announcing an intent to sell no more than half its exports to any single buyer, namely the United States, which now purchases about 70 percent. Through the 1980s Mexico will be able to supply about 5 percent of total U.S. energy needs.

The Reagan Administration appears to have accepted Mexico's petroleum policies, and has at least refrained from applying unnecessary pressure. The current oil glut has no doubt facilitated this stance, and helps explain Mexico's surprising decision to provide supplies for the U.S. strategic reserve. Conditions are apt to change if the oil glut disappears, and it remains to be seen how the United States will respond.

Debt: The prospect of large-scale earnings from oil and gas tempted the López Portillo administration to embark on an overambitious development program. To obtain capital Mexico borrowed heavily on the international market, running up a total debt of $80 billion to $85 billion by mid-1982 (about three quarters of which belonged to the public sector). For a variety of reasons—the oil glut, rising interest rates, declining prices for agricultural exports, capital flight, corruption and mismanagement—Mexico ran out of money for its payments.

The Reagan Administration promptly decided to help. By late 1982 the United States had joined the international banking community in providing Mexico with a multipart package:

(a) a $5 billion loan from European and U.S. creditor banks,

(b) a $3.96 billion authorization from the IMF,

(c) a rescheduling of the $19.5 billion in public debt due before the end of 1984,

(d) a staggered grace period on principal payments,

(e) an advance payment of $1 billion on U.S. purchases for the strategic oil reserve, and

(f) a $1 billion credit guarantee for the purchase of agricultural commodities from the United States, while

(g) Mexico undertakes the austerity program set forth by De la Madrid.

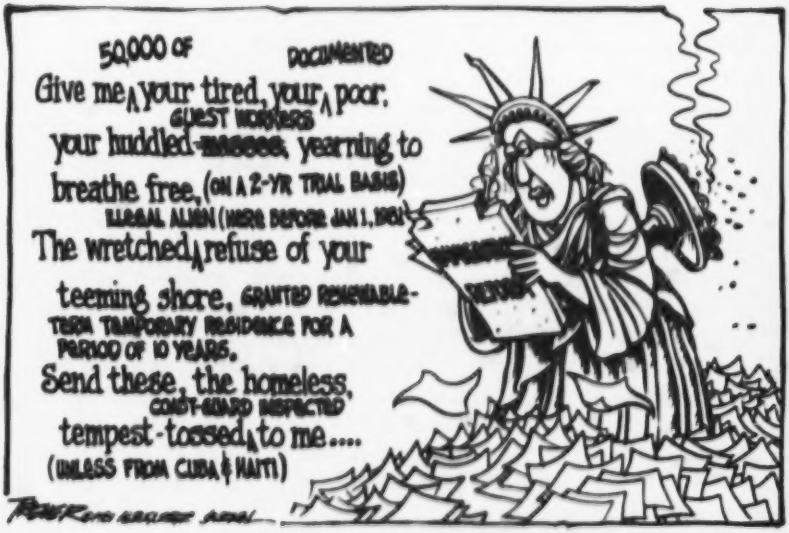
Despite initial skepticism and uncertainty, De la Madrid and his economic team began to implement their program with determination and efficiency. Gradual devaluations improved Mexico's export position, cutbacks in imports produced a positive balance of trade, relaxation of subsidies and other state activities led to budget reductions. By early 1984 bankers were expressing cautious optimism, and many observers believed Mexico had managed to "turn the corner" on the debt. Others were not so sure. U.S. interest rates began to climb in mid-1984, and might well accelerate in 1985 or 1986, years of sizable due payments. And one key to the program came from concessions from organized labor, whose leaders repeatedly accepted wage increases that fell short of the rate of inflation: as a result,

economists say, real wages of the working class fell by 20 percent in 1983 alone. It was unclear how long labor would willingly continue to subsidize the nation's debt repayment program.

Parenthetically, the U.S. reaction to the financial panic of 1982 revealed a major paradox in the conduct of bilateral relations: the United States can respond to crisis much more effectively than it can deal with day-to-day matters. For in this moment of emergency, the U.S. government had the unanimous support of concerned domestic groups (especially investors and financiers, many of whom were "overexposed" in Mexico); the policymaking process became more centralized than usual; and the immediate problem called for short-run relief, rather than a long-run solution. As a result, the United States met the crisis in a coherent and coordinated way. That was the exception, not the rule.

Migration: This is probably the most difficult, volatile, and emotional issue on the bilateral agenda. It calls for understanding, compassion, and a rational assessment of the facts. Despite alarmist assertions that 8 million to 12 million "illegal aliens" from Mexico are participating in a "silent invasion" of American society, it in truth appears that there are about 2.5 million to 3 million undocumented Mexican migrants in the United States at any given time (and the number may be substantially less). One or two million hold jobs of one sort or another. The annual flow of migrants from Mexico is anywhere between 1 million and 1.5 million a year; most come for limited periods of time and then go back home, so net annual immigration is around 300,000 to 500,000.

Many U.S. employers approve of this migration, since it provides them with a cheap and dependable source of labor. North American unions staunchly oppose it, arguing that it keeps wages low and unemployment high. For Mexico, where unemployment is rampant and worsening, where underemployment may be as high as 40 percent, it represents a safety valve. "To the United States," Mexican sociologist Jorge Bustamante has observed, migration "has been a problem, but to Mexico it has been a solution." López Portillo firmly expressed his own view on


50,000 OF
DOCUMENTED
Give me your tired, your poor,
GUEST WORKERS
your huddled masses, yearning to
breathe free, (ON A 2-YR TRIAL BASIS)
ILLEGAL ALIEN (HERE BEFORE JAN 1, 1980)
The wretched refuse of your
teeming shore, GRANTED RENEWABLE-
TERM TEMPORARY RESIDENCE FOR A
PERIOD OF 10 YEARS.
Send these, the homeless,
COAST-GUARD INSPECTED
tempest-tossed to me....
(UNLESS FROM CUBA & HAITI)

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the subject: "It is not a crime to look for work," he declared more than once, "and I refuse to consider it as such."

In this area the Reagan Administration has taken an explicit stand, proposing in July 1981 an immigration bill with several key components:

(a) creating a temporary guest-worker program, permitting up to 50,000 Mexican nationals per year to enter the United States for periods of 9 to 12 months (they would not be allowed to bring spouses or children, and they would not be eligible for welfare assistance);

(b) granting "amnesty" to illegal aliens who can prove continuous residence in the United States since January 1, 1980, or before;

(c) imposing fines of $500 to $1,000 on U.S. employers who knowingly hire illegal aliens; and

(d) strengthening the U.S. border patrol.

The program might seem sensible at first glance, but there are those who claim it is inadequate and unworkable. The plan for 50,000 guest workers does not begin to address the fact that a million or more Mexicans cross the border every year. The amnesty proposal is complicated in detail and meaningless in practice, since "undocumented" workers will by definition find it hard to furnish documentary proof of residence. The sanctions against offending employers are too weak to be effective, and a $40 million increase in the border patrol's budget will hardly stem the flow of migrants. "The effect," says political scientist Wayne A. Cornelius, "is simply to speed up the revolving door, generate ever-more-impressive apprehension statistics, and bid up the fees charged by the 'coyotes' who smuggle undocumented aliens across the border." As it stands, the Administration's plan could bring us the worst of all worlds: its implementation would neither reduce nor regularize the inflow of Mexican migrants, while its enforcement would cause enormous difficulties for U.S. relations with the Mexican government.

During 1982, congressional attention turned from the Administration proposal to a general immigration bill sponsored by Senator Alan K. Simpson (R-Wyo.) and Representative Romano L. Mazzoli (D-Ky.). The bill passed the Senate by an 80-19 vote, attracted bilateral support, and received President Reagan's approval. The Simpson-Mazzoli bill is a large and sprawling piece of legislation, with at least three provisions of special relevance to Mexico:

(a) raising the formal yearly visa quota from 20,000 to 40,000 (while including immediate family members within this overall limit);

(b) rolling back the amnesty date from 1980 to 1977;

(c) increasing the penalty for U.S. employers who hire undocumented workers.

The overall point of the bill is to reduce illegal migration, and its principal strategy is to eliminate hiring incentives for employers through the threat of severe sanctions. This, too, seems logical enough. The problem is that it may not work, since

employers can find numerous ways to skirt the penalties (as they have in California, where a decade-old employer-sanctions law has not resulted in a single conviction). If passed it may also lead to bias against Chicanos (persons of Mexican descent in the United States) and legal migrants, adding yet another complication to U.S.-Mexican affairs.

In late 1983 the Simpson-Mazzoli bill went to the House of Representatives and entered the realm of party politics. House Speaker Thomas P. (Tip) O'Neill Jr. (D-Mass.) refused to bring the bill to the floor, on the grounds that it would lead to institutionalized discrimination against Hispanics and that President Reagan would veto the legislation and thus pick up Chicano votes. Early in 1984 a group of congressmen known as the "Hispanic Caucus" brought forth an alternative bill, one that would grant amnesty to all migrants here prior to 1982 (rather than 1977) and eliminate employer sanctions. As the House braced itself for a struggle, Senator Simpson declared the time was now or never: if the bill failed in 1984, he vowed, he would drop the issue then and there. Thus did immigration policy become embroiled in the vagaries of an election year.

The Regional Agenda: Central America

Different responses to conflagrations in Central America have led to sharp disagreement between Mexico and the United States, and the reconciliation or exacerbation of these differences will have a crucial effect on relations between the two countries. The Reagan Administration has chosen to interpret insurrectionary movements in El Salvador and elsewhere as a result of external subversion, mainly coming from Cuba. This view places Central America's upheavals directly within an East-West cold-war framework and stresses the need to halt the perceived spread of communism in the Western Hemisphere. Nicaragua's Sandinist regime is cited as both a source and example of the danger.

For their part, most Mexicans tend to see the conflicts in Central America as logical and perhaps inevitable responses to historic conditions of repression and inequity. Partly because of

their own revolution and heritage, they do not assume that social upheaval has necessarily led to catastrophic consequences. Their hope is to encourage negotiated political settlements, in anticipation that emergent left-of-center governments will stabilize the region. They want to protect their own country from the unsettling effects of revolutionary turbulence nearby—especially if it were to erupt in Guatemala—and they look on Central America with a great deal of affection. Ties are close and often personal. Explained one prominent Mexican to a puzzled U.S. observer: "Central America matters to us, and we care about its well-being. It is our Israel."

In reflection of these views, Mexico has tended to align itself with revolutionary forces. President López Portillo broke relations with Nicaraguan dictator Anastasio Somoza well before the insurgent victory, and proceeded to lend unequivocal support to the Sandinists. In 1980 Mexico (and Venezuela) began offering petroleum to Nicaragua on generous concessional terms. The following year Mexico joined with France to issue a joint call for recognition of the Salvadoran Democratic Revolutionary Front as a "legitimate political force." The United States looked upon such moves with disapproval.

Despite the differences in approaches and premises, it should be noted that the overall goals of the two countries are not entirely incompatible. As Cathryn Thorup wrote in *The Washington Post,* Mexico's strategy in Central America is not to "indulge" the revolution, but rather to contain it. "Mexican aid to these countries—diplomatic and/or commercial—may be seen as a way to promote stability, interdependence, and economic growth, thus avoiding a radicalization of tensions. In this sense, the ultimate goals of U.S. and Mexican policies toward Central America are not so dissimilar after all." The goals are not identical, of course, and the strategies are almost diametrically opposed: Mexico seeks to contain revolutionary movements through accommodation, while the United States seeks to crush them by force. Even so, U.S. and Mexican perceptions of national interest could still provide a basis for mutual collaboration and support.

For a time the Mexicans and the Reagan Administration took care not to emphasize divergences. In February 1982 López Portillo publicly offered Mexico's help to unravel what he called "three knots that tie up the search for peace" in the region—the internal conflict in El Salvador, distrust between the United States and Nicaragua, and hostility between the United States and Cuba. He reiterated the call for a negotiated settlement in El Salvador, proposed a nonaggression treaty between the United States and Nicaragua, and urged further dialogue between the American government and the Cuban regime. As then Foreign Minister Jorge Castañeda would later say in explanation, the need for such settlements is essential for the tranquility of the region and even for President Reagan's own Caribbean Basin Initiative:

> Programs for economic development of the Caribbean Basin, no matter how ambitious or generous, cannot succeed in the midst of political confrontation and military threats. Gracious gestures of political accommodation must go hand-in-hand with the altruism of economic aid.
>
> Mexico is prepared to serve as a bridge, as a communicator, between its friends and neighbors. Together, we must find a solution that serves the interests and enhances the security of all the Caribbean Basin countries.

The U.S. response to the Mexican attempt turned out to be lukewarm. In his proclamation of the Caribbean Basin program, President Reagan failed to mention the Mexican proposal. Some discussions took place and then withered away.

Since taking office President De la Madrid has pursued a path of multilateral negotiation. In early 1983 Mexico joined with Colombia, Panama, and Venezuela—the so-called Contadora Group, named for the island where they first met—and representatives have since been exploring possibilities for regional mediation. Prospects have ebbed and flowed, but the Reagan Administration has so far failed to demonstrate much enthusiasm for these efforts. The much-publicized January 1984 "bipartisan" report of the commission on Central America, headed by

former Secretary of State Henry A. Kissinger, dismissed the Contadora effort with a single page of condescending adjectives. And one thing is clear: the Contadora initiative cannot succeed without the strong backing of the United States.

Such regional issues can seriously jeopardize the U.S. relationship with Mexico. They are not intrinsic parts of the bilateral agenda but they are likely to persist in the future. So long as they can be contained and isolated they might not cause excessive damage to U.S.-Mexican affairs, but there are limits to the plausible range of toleration.

If the United States were to resort to flagrant military intervention in Central America (as Nicaragua has warned before the United Nations), Mexico would have no choice but to disrupt its dialogue with Washington. López Portillo committed himself to moral support of the Sandinists and to a negotiated settlement in El Salvador—and there seems little doubt that, given the clarity of these positions, De la Madrid will follow this same line. Outright U.S. intervention in either country would make it impossible for the Mexicans to maintain their current conciliatory stance. It is hard to know what they would do, but options might include a declaration of solidarity with the Sandinists, the pursuit of negotiations with El Salvador without U.S. participation, and a firm diplomatic alignment with Western Europe, Venezuela, and Cuba on regional matters. Depending on the character of the American intervention, Mexico might conceivably suspend diplomatic relations with this country.

These unpleasant prospects reveal fundamental conceptual weaknesses behind the Reagan Administration's pursuit of a so-called special relationship with Mexico. The underlying idea, it appears, is to recognize a special role for Mexico in maintaining regional security. Mexico thus assumes importance in a geopolitical sense, as a friendly middle-range power that can serve as an effective diplomatic broker between the United States and the Caribbean area. Mexico is not so crucial itself; what matters is the part it plays in the promotion of U.S. designs and strategies. This perspective not only overlooks Mexico's intrinsic value to the

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Photo by Del Frans

Mexico City, the country's capital, is one of the largest, most rapidly growing cities in the world.

United States but also rests on the dubious premise that Mexico can be consistently persuaded to run diplomatic errands on our behalf—or even to play a large role in the implementation of President Reagan's Caribbean Basin Initiative.

Seeking an Alternative Approach

Instead of stressing East-West conflict and regional security, the United States might be well advised to define its paramount national interest in Mexico as the preservation and improvement of political stability. The United States does not want Mexico to become El Salvador—or Guatemala either. Nor does Mexico's leadership. Indeed, the costs of major social upheaval in Mexico would be enormous for both countries. As one político declared to an American observer,

> For a long time, the United States never thought about us. Now you're worried about oil. You would do a little better to worry about the whole country or one day you could have a surprise.
>
> It may not happen for 10 or 20 years. But the day that Mexico catches on fire because people do not have enough food, part of the United States will burn. This will be your last Vietnam.

The question is how to collaborate on bilateral issues in ways that will contribute to the achievement of genuine political stability in Mexico. To gain more support from its people, the Mexican government will eventually need to stimulate economic growth, distribute benefits to broad segments of society, alleviate the plight of the poor, and at times assert national pride and independence of the United States. This much will have to be accepted and understood.

The Reagan Administration has justifiably placed a high priority on establishing good relations with Mexico. It has created an amiable atmosphere and taken reasonable stands (thus far) on trade, energy, and the debt. As of early 1984, the United States was maintaining a generally positive stance, and it was successfully avoiding harsh and public conflicts with Mexico.

But the United States still does not have a coherent and substantive policy toward Mexico, and points of tension will no doubt emerge in years ahead. In the absence of a clear-cut policy the United States may well be unprepared to cope with future conflicts. And some of the imminent issues, such as migration and Central America, have especially volatile content.

In the short run, the United States should drastically revise its policy on Central America. It should accept Mexico's repeated offers to play an intermediary role through the Contadora Group. Mexico is in a unique position to help achieve a negotiated settlement since it has simultaneous good relations with Cuba, Nicaragua, the United States, and the Salvadoran insurgents—and the United States should take advantage of this opportunity. One beneficial side effect would be to remove a potential source of conflict from the U.S.-Mexican agenda. The primary reason for changing America's policy on Central America, however, is to

bolster the standing of the United States in the region as a whole.

In the long run, for the remainder of the 1980s, the United States should shape a coherent policy toward Mexico that helps promote long-term development and political stability within that country. This would have to be a flexible and dynamic policy, one that can respond to economic and political changes within the two countries and to far-reaching changes in the international arena.

Continuity in Foreign Policy

It can be safely assumed that De la Madrid will pursue the foreign-policy line established by López Portillo. To be sure, the new president has taken a distinctly more cautious approach—partly because of the debt, partly because of disenchantment with the Sandinists, partly because of personal style. And yet this modesty may not endure. If anything, in fact, De la Madrid may eventually try to further assert and enhance Mexico's role as an independent power in third-world areas, especially in Central America and the Caribbean. In this regard the United States should give Mexico a fairly free hand and should try to encourage cooperative approaches. At the very least, it should refrain from public criticism of Mexican foreign policy.

Trends in domestic policy are harder to predict. De la Madrid has initially placed more emphasis on growth than equity, stressing infrastructural development rather than redistribution, though he might eventually be pressured into pursuing more far-reaching goals. He may at least feel the need to use more radical (that is, liberal) rhetoric in an appeal to the left. In any event, his administration will be straining to confront a difficult situation, and tensions no doubt will appear.

Within this context, the United States should explore ways of collaborating with Mexican authorities on questions of trade, energy, investment, and finance. Close and careful consultation will be absolutely necessary. The United States and Mexico have reached at least a short-term agreement in the financial area, with successful renegotiation of Mexico's debt, and this may now be the time to seek an overall commercial accord—one that would at

least provide a framework for the resolution of disputes, rather than relying on the ad hoc procedures now in use.

But the overriding bilateral issue, perhaps the one with deepest symbolic significance, is Mexican migration to the United States. There are no easy solutions. Migration to this country is going to continue. There is little point in hapless attempts to bring it to a halt. Militarization of the border would be inappropriate, unacceptable, and counterproductive. What is to be done?

There are three principal choices:

(1) Ignore the whole problem. Under present circumstances migration might be illegal, according to this view, but it is effective in an economic sense. Mexican workers earn money and U.S. employers obtain cheap labor. The Mexican government shows no great interest in a major policy initiative here, so why bother?

(2) Explore the feasibility of a large-scale guest-worker program. The purpose would be to regulate and legalize the flow of migrant workers from Mexico, thus reducing if not eliminating the abuses of the present system (if it can be called a system).

(3) Declare the border to be open, with no formal limits on crossing from Mexico. This would provide legal recognition of present de facto realities. It would also remove the need to enhance the apparatus for enforcement, which a guest-worker program would require.

Assessment of these alternatives would necessitate thorough consultation with several key constituencies: the Mexican government, U.S. employers, and perhaps most importantly, U.S. labor unions. In the course of these deliberations it would need to be determined (a) whether Mexican workers in fact take jobs from U.S. citizens—an argument that does not stand up to recent research, which has revealed sharp segmentation in the American labor market—and (b) what practical effect the presence of Mexican workers exerts on prevailing wage rates.

Finally, and in general, the United States should develop a substantive policy toward Mexico that explicitly acknowledges our stake in Mexico's well-being and stability. Like it or not (and

Mexicans often like it less than we), the two countries have a unique, inescapable relationship. This demands a unique set of policies. It may well be time for the United States to recognize a special preference for Mexico.

Special preference could take many forms. It would probably be impractical, in the mid-1980s, to negotiate a formal "package deal" embracing the entire span of bilateral issues. It might be more workable, instead, to strive for U.S.-Mexican agreements on specific sets of issues: finance, energy, trade, and migration (trade and migration, in particular, might be suitable items for special bilateral commissions). The policy would not necessarily depend on formal treaties or documents, in fact, and it might well begin with the formulation of a framework by the United States as a first step toward bilateral negotiations. In any event, the present reliance on case-by-case ad hoc bargaining seems to court misunderstanding and possible conflict. And a special-preference U.S. policy for Mexico, whatever its form, should rest on clear-cut premises: Mexico is especially important to the United States because it shares our border, because it shares our underlying political interests, and because it shares directly in our future.*

Finally, U.S. citizens and policymakers should avoid the temptation to take Mexico for granted. The United States is extremely fortunate to have such a stable and friendly neighbor to the south (and another to the north); one has only to imagine alternatives in order to appreciate that simple fact. It would be a

*A special-preference policy would presumably require changes in bureaucratic and diplomatic procedure. As though in recognition of this point, President Carter set up a Cabinet-level "consultative mechanism" with Mexico and appointed a Washington-based "special ambassador" charged with the coordination of U.S. policies toward Mexico: the United States thus had special procedures but not much special policy content, and the experiment consequently failed. The Reagan Administration, in turn, has relied on conventional diplomacy and ad hoc mechanisms (including presidential meetings) while proclaiming a special attachment to Mexico: so there is now a special relationship, at least on a rhetorical level, but no special means for implementation. Both a special relationship *and* special procedures are necessary.

serious mistake to assume that Mexico is facing a temporary "financial problem" rather than a long-term sociopolitical transition. It would be folly to believe that U.S. assistance on the Mexican debt has led to a fundamental improvement in bilateral relations. And it would be self-deluding to draw falsely optimistic conclusions about Mexico and its future from inattention in the media.

Mexico is entering a difficult and delicate phase of political adjustment and/or transformation, a process that will no doubt continue through the 1980s. The United States will need to respond with sympathy, enlightenment, and creativity. Not only would that be the right thing to do. It would also serve the U.S. national interest.

Talking It Over

A Note for Students and Discussion Groups

This issue of the HEADLINE SERIES, like its predecessors, is published for every serious reader, specialized or not, who takes an interest in the subject. Many of our readers will be in classrooms, seminars or community discussion groups. Particularly with them in mind, we present below some discussion questions—suggested as a starting point only—and references for further reading.

Discussion Questions

The author maintains that, because of proximity and history, Mexico and the United States have developed an inescapably "special relationship." Why is Mexico important to the United States? Has U.S. policy reflected this significance? How has the bilateral relationship evolved?

The Mexican Revolution eventually led to the creation of a remarkably durable political system. What is the basis of Mexico's stability? Does this experience provide a meaningful model for other third-world countries? Does it offer any lessons for U.S. policy regarding other parts of Latin America?

Mexicans often express suspicion of the United States. Why? Do such attitudes have any historical foundation? What is their meaning today?

Many observers believe that Mexico's contemporary economic crisis has produced overwhelming evidence of the country's

interdependence with the United States. Do you agree? Should the United States help Mexico with its foreign debt? What about all other debtor countries?

Should the United States adopt a new immigration policy? Should there be any special allowances for Mexico? Why?

What are the guiding principles behind Mexico's foreign policy? How should the United States interpret Mexico's position on Central America? What kind of leeway can a middle-range power (such as Mexico) expect to have in the modern world?

Will Mexico maintain its stability in the years ahead? What if it doesn't? How should the United States react? Could there ever be a rationale for military intervention?

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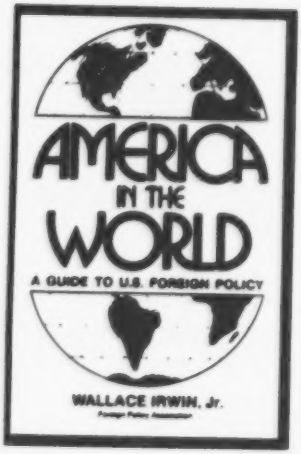

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